OACIQ

ORGANISME D'AUTORÉGLEMENTATION
DU COURTAGE IMMOBILIER DU QUÉBEC

FARCIQ

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

FCI

Fonds d'indemnisation du courtage
immobilier du Québec

ANNUAL REPORTS 2012

Published by the Organisme d'autoréglementation du courtage immobilier du Québec
4905 Lapinière Blvd., Suite 2200
Brossard (Québec) J4Z 0G2

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Graphic Design: OACIQ

Legal deposit
Bibliothèque et Archives nationales du Québec
Library and Archives Canada

ISBN : 978-2-921749-90-9

Mr. Richard Boivin
Assistant Deputy Minister,
Policies regarding Financial Institutions and Corporate law
Department of Finance and Economy
Government of Québec

Québec

Dear Mr. Boivin:

We are pleased to submit the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2012.

Yours very truly,

Serge Brousseau
Chartered Real Estate Broker
Chairman of the Board of Directors

Mr. Nicolas Marceau
Minister of Finance and Economy
Government of Québec

Québec

Dear Mr. Marceau:

Allow us to present the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2012.

Yours sincerely,

Richard Boivin
Assistant Deputy Minister
Policies regarding Financial Institutions and Corporate law

Mr. Jacques Chagnon
President of the National Assembly
Government of Québec

Québec

Mr. President:

I have the honour of submitting the Annual Report of the Organisme d'autoréglementation du courtage immobilier du Québec for the fiscal year ended December 31, 2012.

Respectfully yours,

Mr. Nicolas Marceau
Minister of Finance and Economy

MISSION

The Organisme d'autoréglementation du courtage immobilier du Québec is responsible for overseeing real estate brokerage in Québec.

In accordance with the Real Estate Brokerage Act, its main mission is to protect the public by supervising the professional activities of all Québec real estate and mortgage agencies and brokers.

OACIQ

MEMBERS OF THE BOARD OF DIRECTORS

Directors elected among licence holders (by their peers)

Serge Brousseau (Chairman of the Board)	Montréal
Richard Dion (Vice-Chair of the Board)	Québec
Daniel Pelchat (Treasurer of the Board)	Central
Louis Cayer	Montréal
Hélène Lavoie	Northeast
Johanne Roy	Montréal
Bernard Savard	Montréal
Carole Strasbourg	Western

Directors appointed by the Minister of Finance

Pierre Carrier
Nathalie Ebnoether
Jacques Nantel

Secretary appointed by the Board of Directors

Claude Barsalou

President and Chief Executive Officer of the OACIQ

Robert Nadeau

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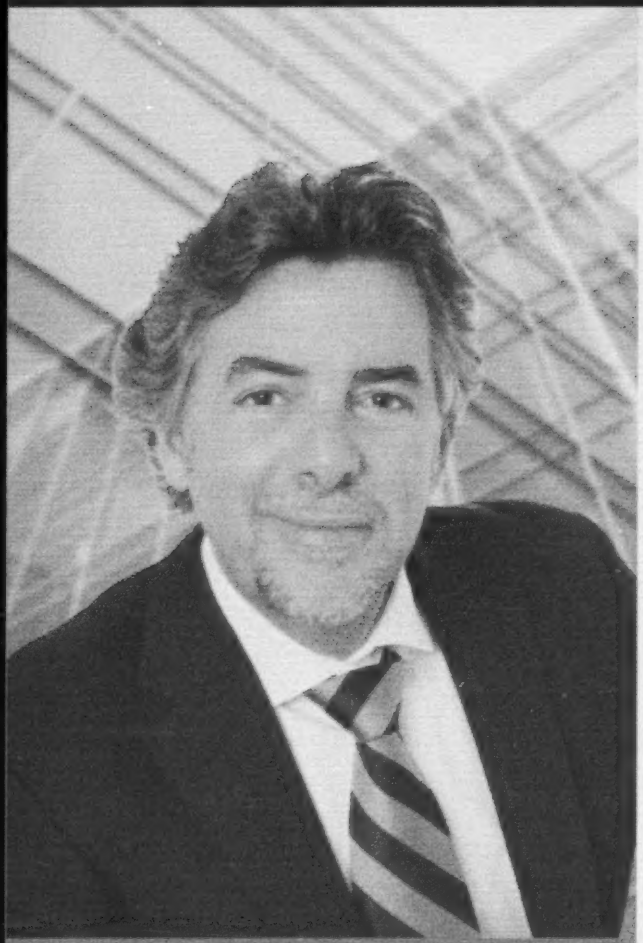
MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



Serge Brousseau
Chairman of the Board of Directors

The year was 2011. The OACIQ Board of Directors had identified two main strategies that we will put forward to advance the profession. If you recall, these were reinforcing broker competence and improving our communication strategies with our target audiences.

TOGETHER AND STRONGER

We forged ahead on both fronts and took every opportunity to carry out these strategies. The coming into force of the new forms, for instance, gave us a strong incentive to focus on our goals. The complexity of the forms amendment process , the development and facilitating of mandatory training, both live and online, and the creation and uploading of the interactive tool on forms to help brokers understand and use them, all these elements spearheaded our efforts to improve competence and communications.

Another example is the Seminar on co-ownership, which was extremely successful because of the importance of this market, and all the work accomplished in preparation for the exceptional advertising campaign which aired in the spring and fall(with the involvement of real estate boards, to which I offer my thanks). Along with these projects, the many consultations we held with boards, "banners", practitioners and educational institutions, among others, on important topics such as the return of the mandatory basic training, advertising, and forms, were also very useful to our profession.

Of course this is only a brief overview of our great achievements in 2012. It is encouraging to know that they yielded excellent results and feedback.

Then came the Real Estate Summit, held on February 9 and 10, 2012. The purpose of this unprecedented event was to bring together many stakeholders from our profession to reflect on the future of real estate brokerage in Québec, and to identify the best strategies to guarantee its future success. Discussions focused on how to promote a common, consistent and distinctive service offer.

The vast majority of participants came from the field. Brokers and agency executive officers from all "banners", including independents, took part in the Summit's discussions with a willingness and constructiveness rarely seen before.

It is not an exaggeration to say that the Real Estate Summit marked a turning point in the history of our profession. About a hundred decision-makers took part in this huge collective brainstorming session on the future of real estate brokerage, while high-caliber conferences contributed valuable food for thought.

The two objectives identified by the Board of Directors fit in perfectly with the six major strategic directions retained at this Summit as priorities to pursue for our profession. All real estate and mortgage brokerage representatives in attendance embraced these priorities, which are as follows:

- Raised awareness of our service offer;
- Mandatory basic training;
- Increased competence through mandatory continuing education;
- Increased accountability of agency executive officers;
- Integrated communications plan;
- Improved collaboration.

These priorities guided our efforts in 2012 and will continue to light the way for years to come.

UNITED WE STAND

The Real Estate Summit demonstrated that the OACIQ is a first-rate business partner that always strives to understand the reality in the field and acts on the outcome, in an ongoing effort to attain the ultimate goal of competence.

Thus real estate brokerage in Québec has reached a turning point, where we must make sure the cohesion and great capacity for concentration observed at the Real Estate Summit continue to grow stronger.

The fact that the 2012 Annual General Meeting was the best-attended ever is proof of our brokers' renewed interest for their practice. I had an opportunity to speak at this event myself, where I discussed our five core skills before a very attentive audience.

What are the five core skills?
Knowledge,
Competence,
Trust,
Collaboration,
Communication.

These core skills should always be top-of-mind and become our *modus operandi*. They need to become automatic to be recalled and used at every opportunity. Together these five skills are what gives added value to a transaction and make a broker's services indispensable.

They are the foundation on which we will continue to build. Promoting our skills and our profession is everyone's business; it is up to each and every one of us to demonstrate that our profession is the authority in Québec's real estate and mortgage markets.

Serge Brousseau
Chairman of the Board of Directors

REPORT FROM THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

Robert Nadeau
President and Chief Executive Officer

The OACIQ carried out numerous major projects in 2012, including several in collaboration with industry partners. I am proud to say – and I don't use the words lightly – that the profession has made great strides over the course of the last year. Some major issues have kept us very busy these past months, presenting our Organization with challenges that turned into great success stories.

THINGS ARE HOPPING AT THE OACIQ

I would like to begin by mentioning a few of these achievements. The Seminar on co-ownership, held on November 7 in Boucherville and on November 13 in Québec City, was a resounding success. Both days were presented to packed houses, as did the education session on co-ownership forms that preceded the seminar. Our two-part advertising campaign on the theme *Think about it* is also worthy of mention as one of our great accomplishments in 2012. I will come back to it later in this piece.

Employer of Choice

In 2012 the OACIQ ranked among Canada's 10 best "Employers of choice" out of 200 small and medium-sized businesses across the country. This recognition encourages us to do everything we can to maintain a stimulating work environment in order to continue to support brokers in their professional practice.

Real Estate Summit

The Real Estate Summit was one of the highlights of the year. This major mobilizing event brought real estate and mortgage brokerage stakeholders together around a common goal: implementing concrete ways to promote a common, consistent and distinctive service offer.

The OACIQ's projects in 2012 were focused on this common will, on the six strategic directions identified at the Summit, and on the two main strategies established in 2011 by the Board of Directors (reinforcing broker competence and improving communication strategies).

Working groups

As part of the Real Estate Summit, four working groups were created to implement our training, mobilization and communication strategies: one group on Education, one working group on our Service Officer and Integrated Communications Plan, a group on Agency Executive Officers, and one on Collaboration.

Apart from its Summit-related efforts, the OACIQ, in collaboration with the Canadian Association of Accredited Mortgage Professionals (CAAMP), created a working group on mortgage brokerage comprised of brokers from various "banners" and members of CAAMP.

The members of this group meet regularly to discuss topics of concern for mortgage brokers. Their discussions lead to very concrete achievements in this activity sector. These include the capsule on mortgage brokerage included in our advertising campaign, ongoing collaboration and work on examinations with content experts and representatives from teaching establishments, and the development of a "start-up session" activity designed specifically for new mortgage agencies.

The decision to make the online education session on new forms mandatory for all mortgage brokers is also a result of this group's efforts.

A working group on commercial real estate brokerage was also created in 2012 and has begun its work.

MBRCC

Mortgage brokerage regulatory authorities from across the country partnered in 2012 to establish the Mortgage Broker Regulators' Council of Canada (MBRCC). We now have a collaborative forum to improve consumer protection, develop national solutions to shared concerns, and promote harmonization of Canada's mortgage broker regulatory practices.

HIGHLIGHTS

Real Estate Summit

- Agreement to promote a common, consistent and distinctive service offer
- Six major directions identified
- Creation of four working groups on education, communication, collaboration and for agency executive officers

Working groups within the OACIQ

- Creation and activities of working groups dealing with commercial real estate brokerage and mortgage brokerage

Basic training and examinations

- New principle of accumulation of skills in the evaluation of new exams
- Announcement of the return of the mandatory basic training

Continuing Education

- Launching of an accreditation program of continuing education activities
- Mandatory continuing education on the new features and amendments to forms
- Adaptation of all trainings to forms

Forms

- Coming into force on July 1, 2012 of new features and amendments to forms.
- Launching of **InstanetForms™**, to access the OACIQ electronic forms in one place
- Creation of the Interactive forms tool to make their understanding and use easier

Dissemination of information

- Fall and spring advertising campaigns (television, Web, Internet, radio, advertising billboards)
- Seminar on co-ownership in Boucherville and Québec
- **"Your path to exam success" and "Profession: Broker" videos**
- Unparalleled presence at the AGM

BASIC TRAINING AND EXAMINATIONS

The Real Estate Summit had many impacts on our internal actions. For instance, our petition to the government for a regulatory change mandating a return to mandatory basic training for all future real estate and mortgage brokers is a direct consequence of this Summit. This decision followed a marked drop in the success rate of certification examinations.

To this effect, on November 28 Québec's Minister of Finance and Economy announced, that as of September 1, 2013, all first-time candidates to an OACIQ certification examination must have successfully completed the appropriate training program in a teaching establishment recognized by the OACIQ. The Organization mandated Sherbrooke University to analyze the current situation and propose basic training programs based on skills and covering the competency frameworks.

This was followed by consultations with Summit stakeholders, teaching establishments, "banners", boards and agencies in order to present the work, propose a methodology for the recognition of training programs, and collect feedback. We expect our program recognition policies to be formalized in spring 2013.

Success criteria

The OACIQ has decided to use the principle of cumulative acquired competencies for its new skills-based examinations. A candidate only needs to complete each competency successfully once.

Several measures adopted since the Summit have been very effective in improving examination success rates and skills maintenance by brokers. These include increased support to teaching establishment regarding examinations, and the additional information that is now being shared with candidates and establishments concerning overall and individual competency success rates, and concepts that are proving more challenging for candidates.

CERTIFICATION EXAMINATIONS – 2012

	NUMBER OF CANDIDATES WHO TOOK THE EXAMINATION
Residential real estate brokers	1,484
Mortgage brokers	385
Former affiliated real estate agents wishing to act on their own account	84
Commercial real estate brokers	70
Agency executive officers	8
TOTAL	2,031

CONTINUING EDUCATION ACTIVITIES

ACTIVITIES	2012	2011
Mandatory education session on the new Act	16	9
Live mandatory education session on new forms	33	–
Other continuing education activities	195	173
TOTAL	**244**	**182**

PARTICIPANTS	2012	2011
Mandatory education session on the new Act	1,367	2,536
Live mandatory education session on new forms	1,121	–
Online mandatory education session on new forms	16,442	–
Other continuing education activities	6,452	3,842
TOTAL	**25,382**	**6,378**

CONTINUING EDUCATION

The mandatory continuing education session on new forms required a lot of time and resources, but was very successful. Agency executive officers attended live sessions from April 2 to 20, 2012, whereas brokers with a full-service licence or a licence restricted to residential real estate brokerage took the online training between April 23 and June 30, 2012.

A vast majority of brokers (16,813 to be precise) managed to complete the session within the set deadline. The response to our satisfaction survey was very clear: fully 93% of respondents declared themselves very satisfied or satisfied with their training experience, 90% felt well prepared to use the new forms, and 95% commented that the exercises helped them understand the concepts.

A mandatory education session for agency executive officers and another on collaboration will be announced in 2013. We are currently examining the best format to present these activities. As well, an education session on pyrrhotite will be held in spring 2013 for brokers carrying on their activities in Mauricie.

In 2012 the Continuing Education Department was also busy adapting all training activities impacted by the changes to the forms, integrating a skills-based approach to education sessions wherever possible, as is already done with examinations (simulations, practical exercises, etc.). An accreditation program of training activities has also been developed.

FORMS

New features and amendments in force

On July 1, 2012, the new features and amendments made to mandatory forms and certain OACIQ recommended forms came into force. It was a good opportunity for us to offer Québec brokers an improved solution regarding electronic forms.

Electronic forms

In fact, since that date, Brokers have access to InstanetForms™, a platform developed in partnership with Centris® to provide a single access point to all OACIQ electronic forms. This tool includes forms that have been updated since the coming into force of the new forms.

InstanetForms™ quickly became very popular, even during the first six months of implementation and adjustments. Statistics indicate that the site received 400,000 hits during this period.

Our tool is now entering the continuing improvement phase as we work to make it even more effective and user-friendly, and to make forms even quicker to access.

Interactive tool on forms

The Interactive tool on forms was developed by the Communications, Computer Development and Legal Affairs team in 2012 and released in 2013. Available on *Synbad*, the extranet of brokers, this tool provides a one-stop shop for brokers to review forms, standard clauses and explanatory notes.

The Interactive tool makes it much easier for brokers to find the information they are looking for, instead of having to go from one form to the next to get a good overall view of content. Brokers can also print the annotated documents directly from the Interactive tool.

DISSEMINATION OF INFORMATION

Many communications actions were taken in 2012 and several information dissemination strategies were undertaken to promote the development of the profession. Every day we are gratified to see evidence that our efforts are bearing fruit.

Advertising campaign

The objective of the two advertising campaigns deployed in the spring and fall of 2012 around the *Think about it* theme was to educate consumers on the importance of working with a real estate or mortgage broker.

The ads took various forms, from TV and radio ads to web banners and a microsite. Print advertising, posters and digital billboards on commercial real estate brokerage were also disseminated via mainstream media and in Québec resto-bars in order to reach the business clientele.

The message was very well received by our target audience, with 75% of respondents stating that they remembered and appreciated the ad.

Seminar on co-ownership

Seven conferences including discussions and question periods were presented by field experts as part of the Seminar on co-ownership. More than 500 brokers attended this sold-out event in Boucherville and Québec City, as well as the training session that preceded it. The interactive lunch was a much-appreciated component of the event; complex, problematic cases were presented using an investigative journalism format, and then discussed by M[e] Yves Joli-Coeur, lawyer emeritus in co-ownership.

Because co-ownership is a very current topic, it was extensively covered by the mainstream press in Montréal and Québec City, including in *Le Journal de Montréal* and *Le Journal de Québec*, *La Presse*, *Le Soleil*, *Les Affaires*, *Radio-Canada* and *Canal Argent*.

In addition, last spring the OACIQ took part in the consultations held by the *Chambre des notaires du Québec* with citizens and representatives from the residential co-ownership sector. A report was drafted by the Co-ownership Advisory Committee following these consultations.

Media relations

Questions relating to a broker's obligations and the advantages of dealing with a broker versus buying or selling a property independently are constantly on the rise, generating over 100 media requests in 2012. We made every effort to use our responses to journalists as public relations opportunities to help us position the OACIQ and its mission.

Website

The OACIQ website also underwent significant value-added improvements. A space is now devoted to the Syndic's Series, which each month presents the case of a broker finding himself in a problematic situation. The proper practice to apply under the circumstances described is then published on the site. Visitors are also encouraged to answer a quiz question and to participate by asking questions and commenting on the topic discussed in the series.

A special section on the site has also been created for all the information pertaining to mortgage brokerage. A similar section is dedicated to the Real Estate Summit and resulting work.

Videos

Following discussions that took place at the Real Estate Summit, the OACIQ produced two videos entitled *Your path to exam success* and *Profession: Broker*, both available on our site's *Becoming a broker* section. The purpose of these two videos is to answer questions from people interested in a real estate career and to inform them about the examination process. Both videos have been very well received.

AGM

The 2012 Annual General Meeting was presented in video format via a webcast that received a lot of positive feedback. A retransmission of the day's proceedings was also made available on *Synbad*, the OACIQ extranet.

DOCUMENT ACCESS AND MANAGEMENT

The OACIQ is a strong advocate of transparency. Whenever a document is requested, it must be analyzed against the *Act respecting access to documents held by public bodies and the protection of personal information*. If the document is not subject to restrictions on the right to access and whenever permitted by the Act and the regulations, we forward the information requested.

During the year, we received 36 access to information requests. Of these, four were accepted, 10 were partially accepted, and 22 were refused, in most cases for privacy protection reasons.

In addition, we make sure to post on our website any document of public interest such as disciplinary decisions, opinions by the Licence Issue and Maintenance Committee, and all our past Annual Reports.

Along with this, we continued to develop and implement various internal document management tools. They include the classification plan, the conservation schedule and the electronic document management system, which will improve record maintenance, accelerate access to information and assist in decision-making.

CERTIFICATION

As at January 1, 2013, the number of real estate and mortgage brokers holding a valid licence had dropped by 830, or 4%, compared to 2012, going from 18,828 to 17,998. It is also interesting to note that 670 brokers acting on behalf of an agency were authorized to carry out their activities within a corporation under their control.

BREAKDOWN OF REAL ESTATE AND MORTGAGE AGENCIES AND BROKERS
(AS AT JANUARY 1)

BY LICENCE CATEGORY	2013
Chartered real estate broker	3,746
Real estate broker	12,354
Mortgage broker	421
Real estate agency	1,436
Mortgage agency	41
TOTAL	**17,998**

BREAKDOWN OF REAL ESTATE AND MORTGAGE AGENCIES AND BROKERS
(AS AT JANUARY 1)

BY REGION	AGENCIES	BROKERS	TOTAL
Montréal region			
Montréal (06)	557	6,532	7,089
Laval (13)	113	2,056	2,169
Montérégie (16)	289	2,851	3,140
Sub-total	**959**	**11,439**	**12,398**
Québec City region			
Capitale-Nationale (03)	131	1,279	1,410
Chaudière-Appalaches (12)	28	193	221
Sub-total	**159**	**1,472**	**1,631**
Northeast region			
Abitibi-Témiscamingue (08)	7	57	64
Bas-Saint-Laurent (01)	10	127	137
Saguenay-Lac-St-Jean (02)	13	215	228
Côte-Nord (09)	5	47	52
Gaspésie-Îles-de-la-Madeleine (11)	2	11	13
Sub-total	**37**	**457**	**494**
Central region			
Mauricie (04)	16	200	216
Estrie (05)	49	397	446
Lanaudière (14)	61	674	735
Sub-total	**126**	**1,271**	**1,397**
Western region			
Outaouais (07)	49	497	546
Laurentides (15)	129	1,265	1,394
Centre-du-Québec (17)	18	120	138
Sub-total	**196**	**1,882**	**2,078**
TOTAL	**1,477**	**16,521**	**17,998**

Note : The numbers in brackets indicate the numbers of Québec's Administrative Regions.

BREAKDOWN OF REAL ESTATE AND MORTGAGE AGENCIES AND BROKERS
(AS AT JANUARY 1)

BY FRANCHISER	AGENCIES	BROKERS	TOTAL
Century 21	37	744	781
Colliers International (Québec) Inc.	2	23	25
Exit	7	39	46
Groupe Sutton	57	2,348	2,405
Groupe conseil G.C.H. Inc.	1	1	2
Hypotheca Courtiers hypothécaires	9	200	209
Via Capitale	64	1,296	1,360
Le Permanent	2	6	8
Multi-Prêts Hypothécaire	11	422	433
Re/Max	226	3,562	3,788
Royal LePage	72	1,600	1,672
Trans-Action	1	4	5
Vendirect	3	82	85
Sub-total	492	10,327	10,819
Independents	985	6,194	7,179
TOTAL	1,477	16,521	17,998

Note : A franchiser is a company that authorizes at least one franchised agency to use its brand name and system under the terms and conditions of a franchise agreement.

NUMBER OF REQUESTS OACIQ INFO CENTER

	2012	2011
January	4,810	4,848
February	5,626	5,989
March	6,505	8,017
April	9,247	8,401
May	7,262	5,218
June	7,854	3,818
July	5,386	3,188
August	4,642	3,716
September	4,196	4,123
October	5,093	4,415
November	5,316	5,192
December	2,580	4,598
TOTAL	68,517	61,523

OACIQ INFO CENTER

The number of requests for information received by the OACIQ Info Center continued to increase, reaching 68,517 in 2012, compared to the record 61,523 requests received in 2011. Of these, 75% came from licence holders and 25% from members of the public.

The online and live mandatory continuing education sessions on the new features and amendments to forms and how to use them was the main object of these requests for information. Other frequent topics included real estate brokerage in general, how to use *Synbad*, certification, licence maintenance and real estate or mortgage brokerage ethics.

ASSISTANCE DEPARTMENT

In 2012 the Assistance Department received 1,956 requests for assistance, about half of which came from the public. This represents a decrease compared to 2011, when the total number of requests reached 2,302. The higher number in 2011 can be explained by the fact that brokers needed to adapt to the new rules of practice which came into force in May 2010 (including rules governing a broker buying or selling his own listing, collaboration, unfair practices, and advertising).

Almost a quarter of the requests received concerned failure by a broker to inform, verify or advise. This tells us that we must continue to inform and educate brokers about their ethical duties.

During 2012, a total of 1,939 requests were processed by the Assistance Department. The main measures taken regarding these requests were: correction made by the broker or agreement with brokers or clients concerned, warning to the broker, file sent to the Office of the Syndic and closing of file because no fault was committed by the broker or because fault could not be proven.

Some of these requests also resulted in a commitment by the broker to attend a training in order to improve his professional practices. The training activities most often required by the Assistance Department are those on collaboration, simultaneous promises to purchase, the broker buying or selling his own listing, as well as on various real estate brokerage forms.

ASSISTANCE

	2012	2011
Cases active at the beginning	479	532
Cases received during the year	1,956	2,302
Cases closed during the period	1,939	2,355
Cases active at the end	496	479

Cases processed	2012
Correction made by the broker or agreement between brokers or between the broker and the client concerned	273
Delivery of a warning to the broker	251
Sending the case to the syndic	583
No subject	679
Other	153
Total	1,939

Illegal brokerage

We received 214 requests for investigation of illegal brokerage in 2012. The majority of cases concerned the purchase or sale of residential properties. A few dozen pertained to the brokerage of loans secured by immovable hypothec. Other files involved property leasing, the purchase or sale of commercial properties, and the use of the title of broker. Several request received had to do with websites.

In 2012, 200 files were closed compared with 134 in 2011, including 73 cases going to court. As at December 31, 2012, we had 456 actives files compared with 442 at the end of 2011. Of these, 285 were under investigation, 168 were awaiting trial or judgment, and three were under appeal.

TABLE OF ILLEGAL BROKERAGE FILES IN LEGAL AFFAIRS AS AT DECEMBER 31, 2012

A	Active files as at December 31, 2011 (Files carried over from previous years, active as at January 1, 2012)	442
B	Files opened in 2012 (Files opened between January 1 and December 31, 2012)	214
C	Files closed in 2012 (Files closed between January 1 and December 31, 2012)	200
D	Total actives files as at December 31, 2012 A + B – C = D	456

ANNUAL COMPARISON	2012	2011
Files opened during the year	214	305
Active files as at December 31	456	442
Cases awaiting trial or judgment or under appeal	171	152

ACTIVE FILES AS AT DECEMBER 31, 2012	2012
Under investigation	285
Awaiting trial or judgment	168
Under appeal	3

Convictions

A total of 66 convictions or guilty pleas were issued in 2012. Of these, 35 pertained to cases in which the defendants were accused of "acting in a way that led others to believe that they were authorized to practice the activity of real estate broker or agency". We also note 28 convictions relating to the offence "having illegally carried on the activity of a real estate broker or agency". Three convictions were also issued against individuals who had used the title of real estate broker, mortgage broker, real estate agency or mortgage agency. Of the 66 convictions or guilty pleas in 2012, nine defendants were also found guilty of knowingly encouraging, authorizing, advising or allowing a company to commit an offence.

A word about "mere posting"

In 2012 the OACIQ also took action regarding the practice of "mere posting". This phenomenon regards out-of-province brokers who enter into agreements with Québec sellers to post Québec properties on the MLS® site. Several notices of violation were issued to outside brokers and agencies and will eventually be heard by the Court.

Duproprio.com

The OACIQ is also appealing in Superior Court the decision rendered in November 2011 by the Court of Québec acquitting Duproprio.com of the offence of leading others to believe that it was authorized to carry out the activity of real estate broker. The case was pleaded in June 2012 and we are currently awaiting the Court's decision.

FINANCIAL STATEMENTS

The General Operating Fund registered a loss $1,454,760 in 2012 compared to a budgeted loss of $2.8M. The budget deficit had been approved by the Board of Directors to allow us to dip into our accumulated surplus to pay for the advertising campaign.

Additional sales of new paper forms compared to our forecast partly offset the cost of this campaign, which in 2012 totalled close to $2.5M. It is important to note that while the sale of paper forms yields net revenues, we have been subsidizing the distribution of electronic forms since July 1, 2012.

And so, despite a reorganization of our divisions and the addition of major projects in the course of the year, several of which followed from the Real Estate Summit – including the Everest project (computerization of examination management process), mandatory basic training, corporate videos, mortgage "networking", and the creation of various working groups –, and thanks to the combined efforts of the entire management team, we ended the year 2012 without exceeding the expenses that were indicated in the budget.

In 2012, the mandatory continuing education session on new forms yielded additional net revenues that offset a good portion of the increased expenses for basic training and examinations.

The activities of the Indemnity Fund, for their part, produced a surplus of $534,068, increasing the accumulated surplus to $3,719,194; this surplus is reserved for Fund activities. The accumulated surplus in the General Operating fund went from $7,621,542 to $6,166,782; a portion of this surplus is earmarked for capital assets and the 2013 advertising campaign.

Moreover, in 2012 the OACIQ exercised its leasing option to purchase 50% of the partnership which owns the building on Lapinière Blvd., according to a cost formula determined at the beginning of the lease. Given the current evaluation of this immovable, this transaction could represent a sizeable potential gain. This acquisition entailed non-recurring costs of $485,443 in 2012, which includes remuneration for the commercial real estate broker who helped us carry out this major real estate transaction.

Finally, since liability insurance is no longer a private concern, the Fund dedicated to this insurance generated some interesting savings. It is one of the reasons why the FARCIQ liability insurance premium went from $550 to $485 in 2011. The OACIQ having approved a new reduction proposed by FARCIQ in 2012, the premium will decrease again to $420 as of May 1, 2013.

Note: following changes to the calculation method used, the data from the previous year to which we refer may differ from what was published.

THE PROFESSION IS EVOLVING

The coming into force of the new Act on May 1, 2010 has changed the face of real estate and mortgage brokerage. Thanks among other things to the focus on competence to which we are devoting a lot of energy, and to our strengthened communications, the practice has considerably evolved. In 2012, we consolidated our actions in this direction and, in the wake of the Real Estate Summit, we are targeting several major directions, one of the main advantages of which will be to bring real estate brokerage stakeholders closer together and to ensure that the profession of broker, which is becoming increasingly complex, continues to develop in a consistent and coherent manner.

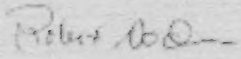
A real estate transaction is not an easy thing to carry out. Being a broker means being very knowledgeable and having many skills. It means having access to a solid and vast network of clients and experts. In addition to having specific qualifications to carry out a transaction, the broker must have knowledge in related fields. Being a broker also means being an evaluator, a lawyer, a building inspector, and other things besides. One could also add that being a broker means having great human abilities, because you have to know how to handle clients' anxieties and worries.

But apart from that, being a broker means being in a great line of business. But in order to be able to use the tools to carry out their profession with utmost professionalism and to provide the most comprehensive protection to their clients, brokers must have the best support. It is the OACIQ's role to provide this support, and it is with this in mind that the Organization, in cooperation with the field, makes its contributions.

I would like to thank all those who, year after year, work towards the attainment of this goal. I thank the OACIQ Board of Directors for its active involvement in current brokerage issues. I thank the OACIQ staff who continues to work hard to carry out the decisions made by the Organization. Thank you to all brokers who make this profession, and to the clients who put their trust in them. And a big thank you to all our partners who share in the pursuit of our mission.

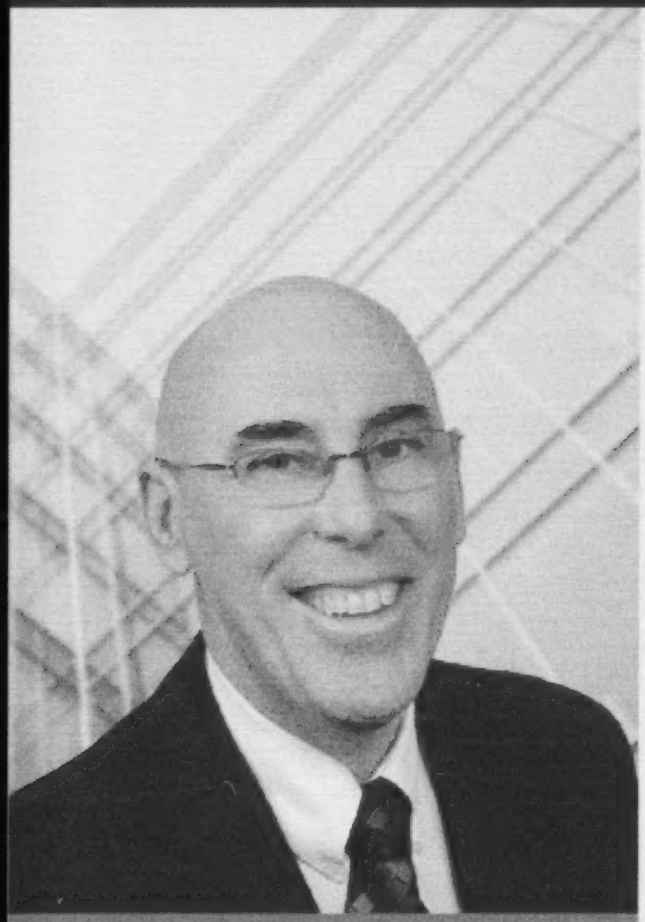
Thank you for joining us on this great adventure and for helping make our ideal profession a reality.

Think about it.



Robert Nadeau
President and Chief Executive Officer

SYNDIC'S REPORT



Giovanni Castiglia
Syndic

Part of the mission of the OACIQ Syndic is to act very proactively towards brokers and agency executive officers by becoming the authority on the interpretation and application of the rules under the Real Estate Brokerage Act.

THE SYNDIC, YOUR ALLY

The Office of the Syndic is not limited to processing complaints and conducting investigations. We make a point of helping brokers learn and understand the practices that are expected of them so that they may constantly improve. Our goal is to support all brokers through constructive dialogue before they find themselves confronted with an ethical or a legal issue.

In 2012, the Syndic's efforts to improve broker competence and maintain high quality standards for the profession translated into several concrete actions.

SYNDIC'S ACHIEVEMENTS

Two major projects originating from the department last year were very well received: the Syndic's Series and the Syndic's tour.

Syndic's Series

The *Syndic's Series* is a user-friendly platform where each month an ethical scenario is presented to brokers via *Synbad*. The aim is to share best professional practices with brokers and give them the tools they need to provide first-rate service to their clients.

After reading the series, the broker gets to test his knowledge by answering the quiz question. He may also submit questions or comments on the same topic. The most frequently asked questions and appropriate answers are posted the following month, so that this useful information can be shared with everyone efficiently.

This dynamic format is very popular with brokers. No less than 5,400 hits were recorded as at December 19, 2012. It is estimated that the series has received 1,000 and 1,300 hits per month since the first series was posted last September.

TEAM
OFFICE OF THE SYNDIC

Syndic's tour

As part of the effort to increase broker competence and knowledge, in September 2012 the Syndic undertook a tour of all Québec real estate boards.

The boards were asked to select two areas of concern or interest for their region out of the seven proposed. The activity took the form of a three-hour education session that entitled brokers to three Continuing Education Units.

One of the objectives of the tour was to improve brokers' perception of the Syndic. The session began with a description of the Syndic's role, followed by a discussion on the two topics identified; the last hour was devoted to a discussion with participants. More than 750 participants attended the sessions of this tour.

Syndic's participation in projects and committees

The role of the OACIQ Syndic also includes supporting other departments in the advancement of their work. As such, we were actively involved in the Real Estate Summit as well as in the committees led by the three resulting work groups on education, agency executive officers and collaboration.

We also helped develop content for the Seminar on co-ownership which took place in November 2012, and a Mortgage Fraud Summit held in Montreal in March.

Finally, the Syndic's expertise was called upon to support the work of the mortgage and commercial brokerage working group, and that of the group in charge of developing new forms.

In addition, the Office of the Syndic wrote several articles on best practices which were published in *pro@ctive*, *Profession Broker* and on the website. Several members of our team were also asked to facilitate education sessions and help correct examinations.

The following persons were members of this committee as at December 31, 2012:

Louise Arbour
Investigator

Mario Baillargeon
Senior Assistant

Suzanne Bissonnette
Assistant Syndic

Carletta Calin
Records Agent

Giovanni Castiglia
Syndic

Isabelle Daoust
Records Agent

Robert Deschamps
Assistant Syndic

Richard Frigon
Assistant Syndic

Yves Gardner
Assistant Syndic

Le Binh Huy
Investigator

Sylvie Jacques
Assistant Syndic

Réjean Lebel
Assistant Syndic and Advisor

Daniel Lévesque
Investigator

Julie Pinet
Assistant Syndic

INTERNAL AFFAIRS

In 2011, files were assigned to an Assistant Syndic as soon as they were received by the Office of the Syndic, but in 2012, they were assigned only at the beginning of the investigation, in order to better reflect the reality between the number of files awaiting review and those under investigation.

The number of active files in 2012 reflects the backlog from previous years.

In 2012 changes were made to the description of statistics in order to reflect more adequately and accurately the reality of the investigations conducted by the Office of the Syndic. We now have three categories of files referred to the Office of the Syndic.

There are the files concerning illegal brokerage practices, for which the Syndic will only verify if licence holders are concerned by the request for assistance and, if so, will open a file for each licence holder. If not, this type of file is returned to the Legal Department, who will investigate if a non-licence holder engaged in illegal brokerage practices.

The second category of files concerns brokers or agencies found guilty of an offence or a criminal act having a link with the practice of real estate or mortgage brokerage, as well as by any court, regarding an offence having a link with the practice of brokerage, or when a licence holder is the subject of an assignment of property or a receiving order having a link with the practice.

The third category of files concerns the professional practice of real estate or mortgage brokerage by a licence holder.

It is interesting to note that 382 files concerning improper real estate and mortgage brokerage practices by a broker were processed in 2012, compared with 309 in 2011, a 24% increase.

Of all files investigated, 33% were referred to the Discipline Committee and 67% were closed without a complaint being filed. To this effect, we have found alternate ways to correct ethical breaches, including commitments to comply with certain sections of the Act or to attend a specific training.

Offences

Year after year, the offences referred to the Discipline Committee are mostly penal or criminal in nature, as evidenced by the following, non-exhaustive list of all files involving offences:

- Negligence in the areas of verification, information and advice;
- Fabricating or providing false documents;
- Failure to collaborate;
- Obstruction or failure to collaborate with Syndic;
- Fraud;
- Conflicts of interest;
- Appropriating deposits or misappropriating funds;
- Encouraging illegal real estate brokerage or mortgage practices.

INVESTIGATIONS INVOLVING OACIQ LICENCE HOLDERS

INVESTIGATIONS OPENED DURING THE YEAR

	2012			2011		
TOTAL	781			1,166		
	Criminal	Sections 38 and 88 of the REBA*	Practice	Criminal	Sections 38 and 88 of the REBA*	Practice
	202	98	481	387	270	509

INVESTIGATIONS COMPLETED DURING THE YEAR

	2012			2011		
TOTAL	682			957		
	Criminal	Sections 38 and 88 of the REBA*	Practice	Criminal	Sections 38 and 88 of the REBA*	Practice
	202	98	382	387	270	300

* Situations covered by Sections 38 and 88 of the Real Estate Brokerage Act

UNDER INVESTIGATION OR AWAITING REVIEW

	2012		2011	
TOTAL	830		731	
	Awaiting review	Under investigation	Awaiting review	Under investigation
	620	210	374	357

FILES TRANSFERRED TO PROSECUTORS

	2012	2011
TOTAL	132	99

OUTLOOK FOR 2013

The work undertaken is encouraging since we are already seeing concrete results. In 2013 we will continue in the same direction by doing everything we can to reduce file processing times. To do so, we plan to implement measures to maintain and reinforce communications with brokers and increase their competence level, in order to reduce the need to open files in the first place.

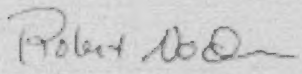
Residential real estate brokerage sector will remain one of the targets of our actions, with special emphasis on mortgage brokerage. A tour devoted entirely to this sector is being seriously considered. It would help ensure that the directions developed by the mortgage brokerage working group continue to translate into action in the field.

New education sessions on collaboration and for agency executive officers will also be developed in 2013, which will require the Syndic's expertise.

The year 2013 is shaping out to be a very busy and exciting one. The Office of the Syndic of the OACIQ is increasingly perceived as an ally by the profession, which is very rewarding. Brokers are referring to us, asking questions, attending our education and information sessions. It turns out they are very interested in ethics when the topic is presented as a tool to help them become even more professional and productive.

Brokers are proud of their profession. When their skills are appreciated in the field, they feel useful and valued. This is a great motivator for the Syndic's team, whose responsibility is to provide them with the support they need and help them become the best they can be. I would like to thank all the members of the team for their dedication and passion for advancing the profession.

Their work is indispensable.



Giovanni Castiglia
OACIQ Syndic until February 6, 2013

REPORT FROM THE SYNDIC DECISION REVIEW COMMITTEE

Michèle Gagnon
Chair of the Syndic Decision Review Committee

Under the Real Estate Brokerage Act (R.S.Q., c. C-73.2), a Syndic Decision Review Committee was formed. The role of this committee is to issue an opinion, upon request by the person who requested the investigation, on the Syndic's decision not to file a complaint before the OACIQ Discipline Committee.

When a file is closed at the Office of the Syndic, the Syndic in charge of the file may decide either to file a complaint before the Discipline Committee, or to close the file without filing a complaint, with or without a commitment on the part of the broker. In cases where the Syndic decides not to file a complaint, he has an obligation to inform the applicant of the reasons for this decision in his closing notification letter.

A person who applied to the Syndic to investigate a case may, within 30 days following receipt of the syndic's decision not to file a complaint before the Discipline Committee, request an opinion from the Syndic Decision Review Committee.

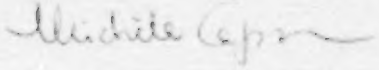
In this opinion the Committee may conclude that the filing of a complaint is not justified, suggest that the Syndic complete his investigation, suggest that the Syndic refer the case to the Inspection Committee, or conclude that the filing of a complaint is justified and suggest someone who, acting as ad hoc Syndic, can file a complaint.

Activities of the Committee

As at January 1, 2012, one file processed by the Committee in 2011 remained under deliberation. The Committee concluded that there was not cause to file a complaint before the Discipline Committee in this file.

In 2012, the Committee met five times and reviewed eight requests for an opinion.

In six of these cases, the Committee concluded that a complaint before the Discipline Committee was not justified. In the other two files, the Committee suggested that the Syndic complete his investigation, and in one, the Committee also suggested that the Syndic refer the case to the Inspection Department.



Michèle Gagnon
Chair of the Syndic Decision Review Committee

MEMBERS OF THE SYNDIC DECISION REVIEW COMMITTEE

The following persons were members of this committee as at December 31, 2012:

Chair

M[e] Michèle Gagnon
Chartered Real Estate Broker

Vice-Chair

Pierre Albert
Real Estate Broker

Members

Raymond Ayas
Chartered Real Estate Broker

Francine Thibeault
Chartered Real Estate Broker

Ressources

M[e] Patricia Couture
Manager, Registries

M[e] Annie Hudon
Lawyer, Registries

Estelle Richard
Administrative Assistant, Registries

REPORT FROM THE DISCIPLINE COMMITTEE

Me Claude G. Leduc, Ad. E.
Chair of the Discipline Committee

The Discipline Committee reviews all complaints made against OACIQ licence holders for violations of the provisions of the Real Estate Brokerage Act and its regulations.

The Discipline Committee is constituted pursuant to this Act and is fully autonomous and independent from the Organization's Board of Directors and staff.

The Real Estate Brokerage Act stipulates that the Committee shall be comprised, among others, of a Chair and several Vice-Chairs appointed by the Finance Minister, among lawyers with at least 10 years of practice. As at December 2012, the committee was composed of Me Claude G. Leduc, as Chair of the Discipline Committee, and Me Patrick Choquette, Brigitte Deslandes, Caroline Malo and Érick Vanchestein, as Vice-Chairs. During this year, the Committee was very sad to lose one of its long-time collaborators, Me Gilles Duchesne. Me Duchesne was first appointed to the Discipline Committee of the Association des courtiers et agents immobiliers du Québec in 1995 and continued to make a valuable contribution as Vice-Chair until shortly before his death.

In addition to the Chair and Vice-Chairs, the Committee is comprised of about 60 real estate or mortgage brokers.

Complaints are usually reviewed by a division of the Committee consisting of three members, including two brokers and the Chair or a Vice-Chair. This division of the Committee may be comprised of more than three members, at the Chair's discretion. The members of the profession who sit on the Committee are selected from a group of real estate or mortgage brokers appointed as members to the Discipline Committee for a three-year term by the Organization's Board of Directors. The Board also appoints the Committee's secretary and assistant secretaries. Some of the Committee's decisions may be appealed before the Court of Québec.

DISCIPLINE COMMITTEE COMPLAINTS, HEARINGS AND DECISIONS (TABLES I AND II)

(JANUARY 1 TO DECEMBER 31, 2012)

The complaints heard by the Discipline Committee usually relate to serious offences. As at December 31, 2012, the OACIQ's Office of the Syndic had filed 93 complaints with the Discipline Committee.

The Discipline Committee innovated this year by adding provisional roll call days, for which parties are summoned to set a hearing date, determine the duration of the hearing and settle any preliminary application. The Committee held two such provisional roll call days in 2012.

The Committee held two hearing days on provisional suspensions, 62 hearing days on guilt (including motion hearings), 31 hearing days on penalties, and 50 hearing days on guilt/penalties following a guilty plea. Another 52 hearing days were postponed and 30 were cancelled during the period.

The Committee rendered three decisions on provisional suspensions, 29 decisions on guilt, out of which two received non-guilty decisions, 19 decisions on penalties, and 42 decisions on guilt/ penalties following a guilty plea. At the close of the period, 30 decisions on guilt and 47 decisions on penalties remained under deliberation.

Several cases involved a preliminary application questioning the Committee's jurisdiction over the complaints. In one of these files, the Committee ruled on the preliminary application, which was based on constitutional arguments relating to the Committee's lack of neutrality, by concluding that the Committee, as created, complies with independence and neutrality requirements, which are guaranteed in the Charters, among other things.

TABLE I

NUMBER OF CASES IN PROGRESS	2012	2011
In progress as at January 1	191	161
Filed during the period	93	90
TOTAL	284	251
Minus		
Decisions rendered on penalties	19	25
Decisions on guilty plea	42	33
Acquittals	2	2
Withdrawals/termination of proceedings	2	0
Cases in progress as at December 31	219	191

TABLE II

HEARINGS – POSTPONEMENTS – DECISIONS	2012	2011
Hearing days held		
On provisional suspension	2	5
On guilt (or application)	62	105
On penalties	31	27
On guilt / penalties	50	42
Hearing days postponed*	52	79
Hearing days cancelled	30	N/A
Provisional roll call	2	N/A

DECISIONS RENDERED BY THE COMMITTEE IN 2012		
Under deliberation on provisional suspension	0	0
Under deliberation on guilt	30	24
Under deliberation on penalties	47	30
Rendered on provisional suspension	3	6
Rendered on guilt	29	38
Rendered on penalties	19	25
Rendered on guilty plea	42	33

* Since 2012, the actual number of hearing days postponed in a given case is reported. Therefore several days may be reported for the same case. Hearing days cancelled are now shown separately from hearing days postponed.

MAKE-UP OF THE DISCIPLINE COMMITTE

As at December 31, 2012, the Discipline Committee of the Organisme d'autoréglementation du courtage immobilier du Québec was made up of the following members:

Chair

M[e] Claude G. Leduc

Vice-Chairs

M[e] Patrick Choquette
M[e] Brigitte Deslandes
M[e] Caroline Malo
M[e] Érick Vanchestein

Members

Ariëns, Imelda
Barrette, Renée
Belley, Louise
Berkers, Pierre
Bolduc, Danielle
Brosseau, Sacha
Boucher, Danielle
Bureau, Denis
Charron, Claude
Cholette, Ginette
Ciocca, Salvatore
Corbeil, Jean-Marc
Côté, Mélissa
Daoust, Robert
De Langavant, Laura-Nancy
Dufresne, Yvan
Dufresne, Yves
Dupras, Marie-Andrée
Fecteau, Luce
Forlini, Nancy
Gagnon, Antoine
Gagnon, Micheline
Gagnon, Normand
Gaulin, Patricia
Gauthier, Stéphanie
Giroux Laveau, Lana
Goulet, Christian
Guertin, Jean
Guilbert, Marie-Josée
Hardacker, Lois
Havard Grisé, Suzanne
Jones, Stewart
Lamirande, Mario
Langelier, Michèle
Lavieville, Clara
LeBel, François
Lecompte, Éloi
Léger, Éric
Lemaire, Frantz
Leroux, Robert
Liboiron, Michel
Longo, Vito
Mailloux, Luc
Mammarella, Domenico
Marchand, Denyse
Merrien, Thierry
Montanarini, Conrad
Morrow, René
Nicolas, Habib
Paquette, Rolland G.
Paquin, Michel
Racine, Normand
Roy, Louise
Ruiz, Carlos
Rzik, Abdelaziz
Stathakis, Georgios
Thibault, Renaud
Thibault, Sylvain
Vidal, Anouk
Villiet, François

Secretary (interim)

M[e] Patricia Couture

Assistant Secretaries

Chabha Amirèche
Sylvie Desjardins

PENALTIES (TABLES III AND IV)

Under the Real Estate Brokerage Act, the Discipline Committee may impose various penalties ranging from a reprimand to a licence suspension or revocation. The Committee may also impose fines of a minimum of $1,000 and a maximum of $12,500 per charge. Penalties are determined by the Committee based on the seriousness and circumstances of the offence, with a view to protecting the public.

The Committee issued 23 reprimands and imposed 41 fines totalling $123,000. Generally, the payment of costs is ordered each time a guilty decision is rendered. In addition, in one case the Committee required the defendant to attend a course. There were also 37 cases of licence suspension for periods ranging from a few days to permanent suspension.

A total of 35 notices of suspension periods ordered by the Committee were published in newspapers in 2012.

TABLE III

NATURE OF PENALTIES ORDERED BY THE COMMITTEE	2012	2011
Penalties ordered		
Reprimands	23	16
Fines	41	38
Mandatory courses	1	3
Conditions / restrictions	0	1
Suspensions**	37	42
Continuing education	2	5
Other orders	0	0

** Suspensions ordered by the Discipline Committee are, in certain cases, accompanied by a fine. In addition, the Committee may suspend a defendant's licence on several counts of the same complaint.

TABLE IV

FINES AND PUBLICATIONS	2012	2011
Total fines ordered	$123,000	$117,700

DECISIONS PUBLISHED IN NEWSPAPERS		
Following a suspension order	35	42

BASIS OF CHARGES

The accusations brought before the Discipline Committee related to offences under the previous Real Estate Brokerage Act, the Rules of Professional Ethics of the ACAIQ, the By-laws of the ACAIQ, the Regulation respecting the application of the Real Estate Brokerage Act, or under the current Real Estate Brokerage Act and the Regulation respecting brokerage requirements, professional conduct of brokers and advertising, to offences committed after May 1, 2010. It should be noted that a charge may be brought under more than one section of the Act or regulations.

I wish to thank the Registry staff, the members of the Committee and the Vice-Chairs for their availability and their exemplary contribution to the work of the Discipline Committee.

M^e^ Claude G. Leduc, Ad. E.
President of the Bar
Chair of the Discipline Committee

REPORT FROM THE INSPECTION COMMITTEE

Pierre Martel
Chair of the Inspection Committee

"The goal of the OACIQ Inspection Department is to be an ally for brokers and agencies."

The Inspection Committee oversees broker and agency activities and helps them improve their professional practices. Thus the Committee has a direct impact on our profession's quality standards and, thanks to its constructive and preventive approach with licence holders, everyone benefits.

The better licence holders master the ins and outs of their profession, the better they will succeed and be recognized by their peers and the public. When it comes to promoting the profession via showcasing brokers' work, the OACIQ Inspection Department is a true ally for brokers, enhancing our profession's scope and image.

New forms

Since July 1, 2012, inspectors have had an opportunity to observe how the new forms are being used in the field. They made recommendations to the brokers they inspected regarding the necessary changes to make with regards to contracts and transactions in the future.

Residential and commercial real estate brokerage and mortgage brokerage

Inspections continued at the same rate as in 2011. A total of 365 establishments were visited by inspectors in 2012, including 255 residential real estate brokerage agencies and brokers acting on their own account, 63 commercial real estate brokerage agencies and brokers acting on their own account, and 40 mortgage brokerage agencies and brokers acting on their own account. The number of establishments inspected also included 7 agencies and brokers acting on their own account whose licence was valid but who had not engaged in any brokerage activities.

Skills-based verification

Inspections of broker skills continued in 2012. At the end of the year, 1,594 brokers selected for an inspection visit had benefited from the findings of an inspector. The inspector's observations and recommendations, in the form of a personal report sent to each broker inspected, have a direct impact on public protection since they specifically target professional acts involving the way in which a broker uses his skills, maintains his records and performs the contracts and transaction proposals he has drafted and negotiated, according to his specific field of practice.

New method for sending inspection reports

In an effort to protect the environment, in 2012 the Inspection Department instituted a new method to send inspection reports to agencies and brokers. The reports are now uploaded electronically in a secure and confidential manner on *Synbad*, the OACIQ extranet. An email is then sent to agency executive officers and brokers to let them know their inspection report is available for review.

Inspection Committee recommendations

The recommendations issued by the Committee to certain brokers or agency executive officers following inspections usually pertain to four recurring problems:

- brokers neglecting to send their agency the documents needed to maintain records and registers;
- individuals or companies engaging in illegal brokerage practices;
- brokers buying their own listings without terminating the brokerage contract, and collecting remuneration; and
- a few cases of unlawful remuneration sharing.

Online self-inspection

Regular inspections are supplemented by an online self-inspection questionnaire that must be completed each year by all agencies and brokers acting on their own account. The questionnaire exists in short-form and long-form formats; the latter is the equivalent of an actual inspection since it covers every aspect of a brokerage office's management, including advertising, brokerage and transaction records, conflicts of interest and disclosures – namely regarding referrals, trust accounts, document management and confidentiality. Self-inspection is a great way for us to collect several statistics that enable us to help agency executive officers and brokers acting on their own account consolidate or improve certain aspects of their practice. To this effect, we publish self-inspection highlights each year. In 2012, a total of 1,600 short-form questionnaires and 286 long-form questionnaires were sent and completed by licence holders.

MEMBERS OF THE INSPECTION COMMITTEE

The members of the Inspection Committee for 2012 were:

Chair
Pierre Martel

Vice-Chair
Marc-André Pilon

Members
Laurent N. Benarrous
Diane Bourbonnière
Nathalie Clément

Committee Secretary
Claudie Tremblay
Vice-President, Professional Practices

Substitute Secretary
Francine Boucher
Director, Inspection Department

INSPECTION DEPARTMENT TEAM

Lyne Audet
Inspector

Doreen Carrière
Agent

Stefan Comtois
Inspector

Louise Dessureault
Inspector-Coordinator

Karyne Dubreuil
Administrative Coordinator

Lisa Gougeon
Agent

Rim Hadjem
Administrative Assistant

Johanne Langlois
Agent

Céline Larouche
Inspector

Geneviève Larouche
Inspector

Marie Thérèse Lessard
Inspector

Diane Martineau
Inspector

Jean-Luc Meunier
Inspector

STATISTICS 2012

INSPECTIONS OF AGENCIES AND BROKERS ACTING ON THEIR OWN ACCOUNT	2012	2011
Commercial	63	55
Mortgage	40	17
Residential	255	280
Other (inactive)	7	14
Start-ups	118	136
Self-inspection – Long-form questionnaire	286	333
TOTAL	**769**	**835**
Reports to brokers, skills-based	1,594	1,684

SELF-INSPECTION OF AGENCIES AND BROKERS ACTING ON THEIR OWN ACCOUNT – ONLINE (Long-form and short-form questionnaires)	1,886	1,847

TOTAL NUMBER OF AGENCIES AND BROKERS ACTING ON THEIR OWN ACCOUNT WHO HAVE A TRUST ACCOUNT		
At the end of December of each year	1,573	1,576

COMMITMENTS		
Attending an education session or complying with various regulatory obligations	21	18

Trust accounts

The Inspection Committee works to encourage the payment of a deposit with every transaction. Inspectors continue to work to demystify the management of this type of account while ensuring compliance with the rules of ethics. They will continue to deliver the message by stressing the advantages of a deposit and how a trust account is a value-added service that helps brokers set themselves apart from the competition. Here again, our profession's image is at stake.

Start-up sessions

New agencies and brokers acting on their own account are invited to attend a start-up session. This consists in a half-day training session that also serves as an initial inspection and covers the responsibilities of the agency executive officer and the broker acting on his own account, as well as the various aspects of the keeping of records and registers, broker supervision, the various disclosure obligations, and conflict and dispute management. A total of 118 agency executive officers and brokers acting on their own account attended these sessions in 2012.

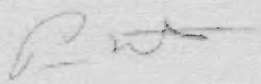
Development of a specific start-up session for mortgage brokerage

The Inspection Department identified a need for a start-up session designed specifically for the mortgage brokerage field. Like a regular start-up session, this will serve as an initial inspection. In addition to the responsibilities regarding the keeping of records and registers, the mortgage brokerage start-up session will cover obligations and disclosures that are specific to mortgage brokerage. Mortgage brokerage start-up sessions began in November 2012. Two sessions have been presented so far and were attended by 15 mortgage agency executive officers and brokers acting on their own account.

Satisfied agencies and brokers acting on their own account

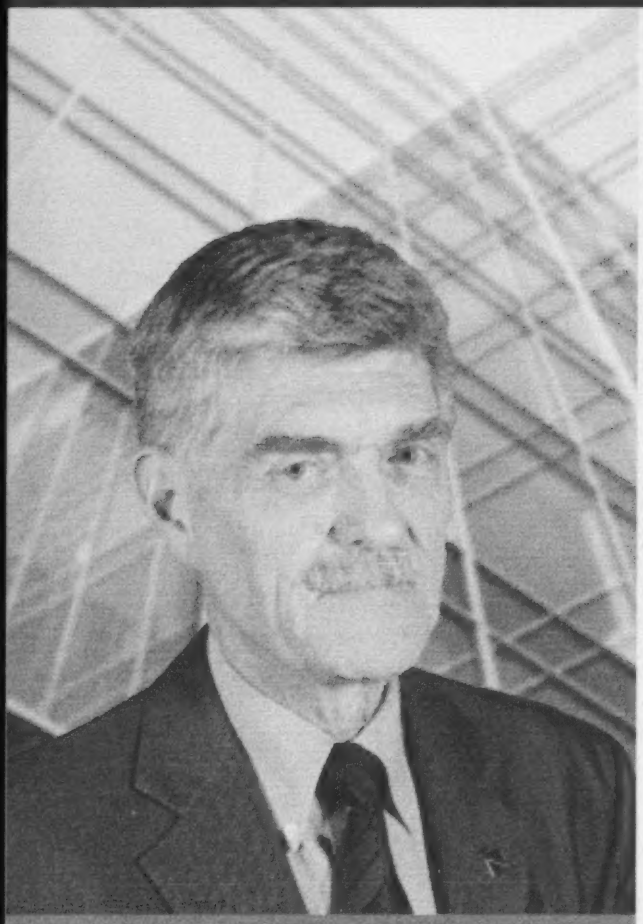
Mindful of the quality of the services it offers, the Inspection Committee sends agencies and brokers who have undergone an inspection an appreciation questionnaire together with their inspection report. The responses contained in the 184 returned questionnaires were again very positive and confirm that licence holders appreciate the principle of assistance and prevention championed by the Committee.

In ending, on behalf of members of the Committee, I would like to thank the entire Inspection Department staff.



Pierre Martel
Chair of the Inspection Committee

REPORT FROM THE LICENCE ISSUE AND MAINTENANCE COMMITTEE



Georges Halasz
Chair of the Licence Issue and Maintenance Committee

ACTIVITY REPORT 2012

The mission of the Licence Issue and Maintenance Committee is to make decisions regarding licence issue or maintenance where an applicant or a licence holder has had his licence revoked, suspended or made subject to restrictions or conditions by the OACIQ Discipline Committee or by another body overseeing real estate brokerage, or was the subject of an assignment of property, a receiving order, protective supervision of a person of full age, or a disciplinary, penal or criminal conviction having a link with the activity of real estate broker or agency.

The role of the Licence Issue and Maintenance Committee under the Real Estate Brokerage Act (R.S.Q., c. C-73.2) consists particularly in determining whether public protection warrants the application of such measures as provided under the Act where an applicant or a licence holder has been found guilty of or has pleaded guilty to a criminal, penal or disciplinary offence, to the extent where the Committee has established that this offence has a link with the activity of real estate broker or agency.

If an application for issuance is submitted to the Committee, the latter has the power to review all criminal, penal or disciplinary convictions, regardless of when the person was found or pleaded guilty.

When deciding on licence maintenance, the Committee may take into account any criminal, penal or disciplinary conviction which occurred since May 1, 2010.

In addition, the Committee may review cases involving bankruptcy, guardianship, curatorship or appointment of an adviser to a person of full age, as well as cases where an applicant or licence holder has had his licence revoked, suspended or made subject to restrictions or conditions by the OACIQ Discipline Committee or by a body in another province or state responsible for overseeing and monitoring real estate brokerage. In the latter cases, the Committee may decide to impose one of the measures provided for under the Act where the protection of the public warrants such measure.

Depending on circumstances, the Committee may refuse to issue a licence to an applicant, or to issue it by imposing restrictions or conditions thereon. The Committee may also take measures against a licence holder, including suspending or revoking a licence or making it subject to restrictions or conditions.

The Committee may also issue an opinion on the decision it could render if a person or company were to apply for a broker or agency licence, this before steps are taken regarding such an application.

Such an opinion issued by the Committee does not constitute a decision within the meaning of section 37 of the Real Estate Brokerage Act. The Committee will have to re-examine the case when an application for issuance is actually submitted, and will render a decision based on the facts presented and the circumstances prevailing at that time. This means that in some cases, the final decision could differ from the preliminary opinion issued.

MEMBERS OF THE LICENCE ISSUE AND MAINTENANCE COMMITTEE

As at December 31, 2012, the following persons were members of this committee:

Chair

Georges Halasz
Chartered Real Estate Broker

Vice-Chair

Marc-André Filion, LL. L.
Chartered Real Estate Broker

Members

James Brown
Real Estate Broker

Bertrand Côté
Real Estate Broker

Paul Huard
Chartered Real Estate Broker

Jean-Luc Pulinckx
Real Estate Broker

Raymond-Noël Vaillancourt
Chartered Real Estate Broker

Resources

Me Patricia Couture
Manager, Registries

Me Annie Hudon
Lawyer, Registries

Estelle Richard
Administrative Assistant, Registries

ACTIVITIES OF THE LICENCE ISSUE AND MAINTENANCE COMMITTEE

FROM JANUARY 1 TO DECEMBER 31, 2012

On December 31, 2012, the Committee completed its second full year of activity, during which it held 15 sessions.

As at January 1, 2012, nine files submitted to the Committee in 2011 remained under deliberation. In its decisions concerning these cases, rendered in 2012, the Committee maintained the licences of four licence holders, one of which was made subject to conditions or restrictions. In the other five cases, the Committee concluded that the licences applied for could be issued without conditions or restrictions, despite the fact that a link was established in two of these cases.

During 2012, the Committee processed 122 cases over the course of the 15 sessions held. Of these 122 cases, the Committee reviewed 25 criminal offences, four disciplinary offences and 97 assignments of property; some cases may include more than one situation requiring review by the Committee.

The Committee reviewed 58 applications for issuance of a real estate or mortgage brokerage licence. In these, the Committee established the existence of a link between 14 criminal, penal or disciplinary offences of which the applicants had been found guilty and the activity of real estate broker or agency. In two cases, the Committee decided that the appropriate action under the circumstances was to refuse to issue the licence, and in one case, that the licence could be issued with conditions or restrictions. The Committee also reviewed licence applications involving an assignment of property. In three of these cases, the Committee determined that the licence could be issued with conditions or restrictions.

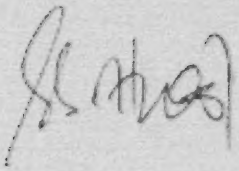
CASES REVIEWED	2012	2011
Cases reviewed	122	160
Applications for issuance	58	99
Licence holders	57	48
Opinions	7	13

DECISIONS RENDERED BY THE COMMITTEE IN 2012 (Including decisions rendered in 2012 for cases processed in 2011 and under deliberation as at December 31, 2011)	2012
Licences issued	61
Licences maintained	59
Licences refused	2
Licences suspended	2
Licenses revoked	0

CIRCUMSTANCES REVIEWED BY THE COMMITTEE IN 2012	2012
Assignments of property	97
Criminal, penal or ethical offence	29
Other	0

The Committee also reviewed the files of 57 licence holders strictly concerning assignments of property situations. In 45 of these cases, the Committee determined that the licence could be maintained without conditions or restrictions, and in 10 cases, it concluded that the licence could be maintained with conditions or restrictions. The Committee also decided to suspend the licences of two licence holders.

Finally, the Committee issued an opinion on seven applications for advance decisions. In five cases, the Committee felt that the licence could be issued. In two more cases, the Committee felt that the appropriate measure in the circumstances would be to refuse to issue the licence.



Georges Halasz
Chair of the Licence Issue and Maintenance Committee

REPORT FROM THE INDEMNITY COMMITTEE

Gratien Dubé
Chair of the Indemnity Committee

Created in 1985, the Indemnity Fund has been incorporated into the OACIQ on May 1, 2010 by the Real Estate Brokerage Act (R.S.Q., c. C-73.2). The Fund is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible.

The Indemnity Committee created within the Organisme d'autoréglementation du courtage immobilier du Québec rules on the eligibility of claims submitted to it and decides on the amount of the indemnities to be paid.

The Indemnity Fund, which is managed by the *Organisme d'autoréglementation du courtage immobilier du Québec*, is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a real estate or mortgage broker or agency is responsible. The role of the Indemnity Committee, created within the Organization, is to decide on the eligibility of claims filed against brokers or agencies and to set the amount of indemnity payable to victims.

The maximum indemnity payable by the Committee for each brokerage transaction concerned by a claim is $35,000 for acts committed as of May 1, 2010, and $15,000 for acts committed before that date.

This report covers the Indemnity Committee's second full year of operation.

Activities of the Committee

As at January 1, 2012, 83 cases were under review, and 26 claims processed by the Committee in 2011 remained under deliberation. According to the decisions rendered by the Committee in 2012, 22 of these claims were rejected and four were accepted, for a total of $55,000 paid in indemnities.

MEMBERS OF THE INDEMNITY COMMITTEE

The Indemnity Committee met 10 times in 2012, processing and rendering decisions on 82 claims. The Committee approved six of these claims, for which a total of $50,320.26 was paid in indemnities, and rejected 76. One file was closed for administrative reasons. In addition, 80 new files were opened in 2012, and seven were reopened following a request for review.

As at December 31, 2012, 87 files were under review.

	2012	2011
Files pending as at January 1	83	103
Claims received	87*	75
Claims processed by the Committee	82	88
Closed for administrative reasons	1	7
Files pending as at December 31	87	83
INDEMNITIES		
Claims accepted	10**	10
Indemnities paid	$101,369.63***	$81,463.60

* This figure includes new files and files reopened following an application for review.

** This figure includes the four accepted claims among those pending as at December 31, 2011.

*** This amount takes into account indemnities of $55,000 paid in 2012 on files processed in 2011, and indemnities of $50,320.26 of which a portion was paid in 2012 for files processed in 2012, and the other portion, in the amount of $3,950.63, was withheld for payment in 2013.

Gratien Dubé
Chair of the Indemnity Committee

As at December 1, 2012, the members of the Committee were:

Chair

Gratien Dubé
Chartered Real Estate Broker

Vice-Chair

M^e^ Nada Najm

Members

Jean-Robert Benoit
Chartered Real Estate Broker

Maryse Bourgeault
Chartered Real Estate Broker

Aline Duplessis

Marcel Le Houillier

Lise Légaré
Chartered Real Estate Broker

Resources

M^e^ Patricia Couture
Manager, Registries

M^e^ Annie Hudon
Lawyer, Registries

Estelle Richard
Administrative Assistant, Registries

TREASURER'S REPORT

Daniel Pelchat
Chair of the Audit and Finance Committee

TRANSITION TO A NEW ACCOUNTING FRAMEWORK

Like most organizations of its kind, the OACIQ has adopted the new Canadian Accounting Standards for Not-for-Profit Organizations. Although the transition to these new standards has had no impact on our financial statements, except for the fact that we must now show government remittances, the OACIQ still had to present financial statements for the years 2011 and 2012. As you will note, the enclosed financial statements contain comparative data of each Fund for the year 2011 and the opening balance sheet of each Fund as at January 2011, i.e. the transition date.

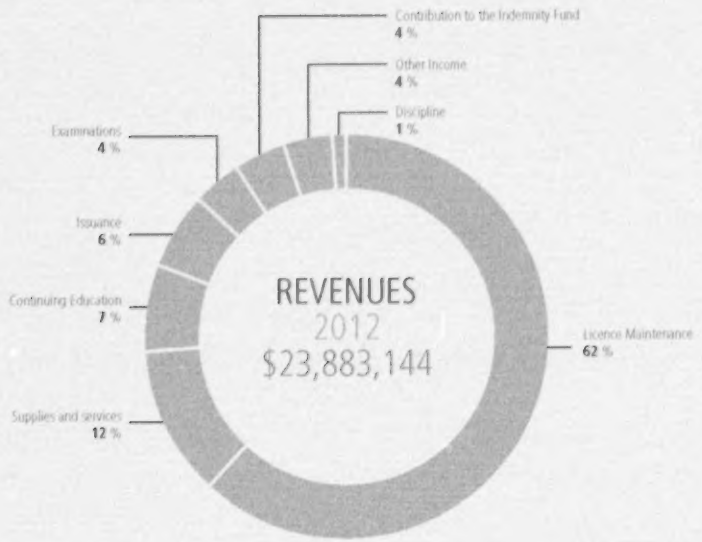
REVENUES

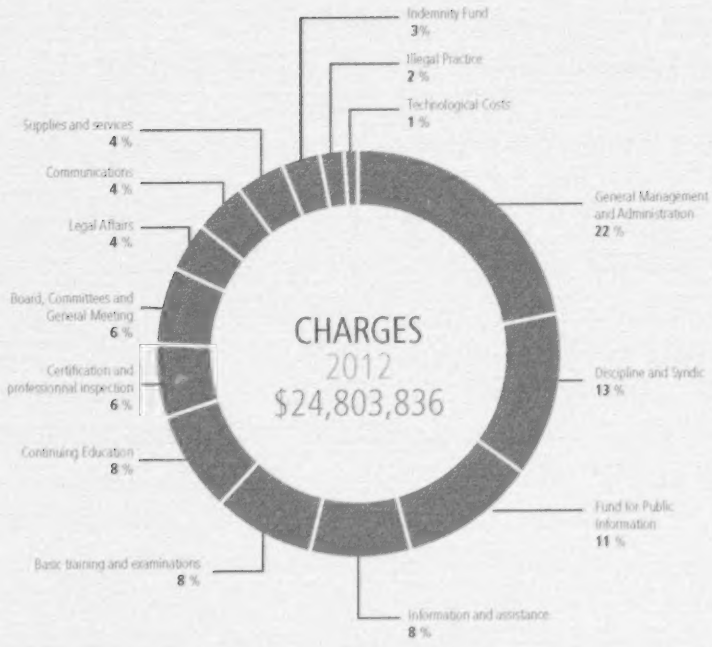
Despite a 6% drop in revenues from licensing fees due to a marked reduction in the number of licences issued ($17,385,536 in 2012 compared with $18,567,191 in 2011), total revenues in the OACIQ General Operating Fund and the Indemnity Fund were up 10% to $23,883,144 in 2012, compared with $21,707,404 in 2011.

Due to the coming into force of new forms on July 1, 2012, sales of supplies and services totalled $2,766,755 in 2012, up from $1,298,105 in 2011.

As for the whopping increase of $1,339,616 in revenues for the Continuing Education Department, going from $204,582 in 2011 to $1,576,388 in 2012, it is almost entirely due to the mandatory education activity on new forms.

MEMBERS OF THE AUDIT AND FINANCE COMMITTEE





The following persons were members of this committee as at December 31, 2012:

Chair

Daniel Pelchat

Members

Serge Brousseau
Richard Dion
Pierre Carrier
Robert Nadeau

Resources

Claude Barsalou
Vice-Chair
General Management

Vo-Long Truong
Vice-Chair
Finance and Physical Resources Management

Nadine Corbeil
Manager
Accounting and Finance

EXPENSES

In 2012, expenses in the General Operating Fund and the Indemnity Fund totalled $24,803,836, compared with $19,947,837 in 2011, for a 24% increase.

The Public Information Fund played a role in this increase, as the *Think about it* advertising campaign, begun in 2011, was extended not only in spring, but also in fall 2012, and major costs were incurred to produce a new advertising campaign. Expenses in this fund went up from $1,473,662 in 2011 to $2,736,448 in 2012.

The mandatory continuing education activity on new forms alone represented an expense of $792,615, contributing to raise the Continuing Education Department's expenses from $1,255,594 in 2011 to $2,035,459 in 2012.

Skills-based examinations, the Everest project (computerization of the examination management process), and the work begun on the implementation of a new mandatory basic training program explain in part the increased expenditures on basic training and examinations, which are up to $1,971,935 in 2012 from $998,926 in 2011.

The increase in the sale of forms led to a rise in expenses, which went from $474,127 in 2011 to $920,075 in 2012.

The expenses in the area of Discipline and Syndic increased from $2,975,800 in 2011 to $3,260,393 in 2012, mainly due to the salaries and benefits associated with these activities. Likewise, the Real Estate Summit created additional expenses, as did related committee meetings and working group activities.

Finally, we incurred expenses of $485,443 in 2012 to acquire 50% of the limited partnership that owns the building on Lapinière Boulevard. These expenses are non-recurring and include, among other costs, the remuneration paid to the commercial broker who supported us in this major real estate transaction.

INDEMNITY FUND

The Indemnity Fund alone netted a surplus of $534,068 in 2012, compared with $681,228 in 2011. The number of cases compensated has remained low since 2009, whereas the contribution was raised on May 1, 2010 following a marked increase in indemnities paid between 2006 and 2008.

The maximum indemnity had also been increased from $15,000 to $35,000 on May 1, 2010. An actuarial review is scheduled in 2013 to reassess the Fund's financial position.

SURPLUS

For the year 2012, the General Operating Fund and the Indemnity Fund show a combined loss of $920,692, compared with a $1,759,567 surplus in 2011, decreasing the accumulated surplus from $10,806,668 to $9,885,976. It is important to note that the Indemnity Fund's surplus of $3,719,194 cannot be used for other OACIQ activities. As for the General Operating Fund's accumulated surplus, it now stands at $6,166,782. A good portion of this sum is earmarked for capital assets and the 2013 advertising campaign.

FORECAST

The increase in revenues for 2012 is mainly due to the implementation of the new forms, which resulted in increased revenues from the sale of forms and related mandatory education activities.

Although these revenues are non-recurring, new mandatory education activities are planned for 2013, along with an increase in examination fees, which should help maintain a revenue level similar to that of 2012.

Finally, apart from the advertising campaign and the non-recurring investment acquisition costs, expense figures for 2013 should be similar to those of 2012, since a major portion of these expenses (basic training, skills-based examinations, mandatory continuing education, discipline and syndic, inspection, information and assistance, etc.) is directly linked to our strategy focused on increasing broker competence.

Daniel Pelchat
Chair of the Audit and Finance Committee

INDEPENDENT AUDITOR'S REPORT

Deloitte.

Deloitte s.e.n.c.r.l.
4605-A, boul. Lapinière, Bureau 200, Brossard, QC J4Z 3T5
Tel. : 450 618-4270 | Fax : 450 618-6420
www.deloitte.ca

To the Licence Holders of
the Organisme d'autoréglementation du courtage immobilier du Québec

We have audited the financial statements of the Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ"), which comprise the balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of income, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

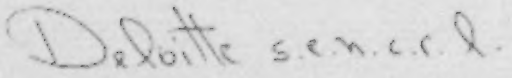
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the OACIQ as at December 31, 2012, December 31, 2011 and January 1, 2011, and the results of its activities and its cash flows for the years ended December 31, 2012 and December 31, 2011, in accordance with Canadian accounting standards for not-for-profit organizations.



March 22, 2013

[1] CPA auditor, CA, public accountancy permit No. A108263

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

	General Operating Fund	Indemnity Fund	TOTAL 2012	General Operating Fund	Indemnity Fund	TOTAL 2011
	$	$	$	$	$	$
REVENUE						
Fees and memberships	16,354,089	1,031,447	17,385,536	17,504,522	1,062,669	18,567,191
Continuing education – Appendix	1,576,388	-	1,576,388	204,582	-	204,582
Basic training and examinations – Appendix	1,028,527	-	1,028,527	816,461	-	816,461
Discipline and syndic – Appendix	278,786	-	278,786	245,059	-	245,059
Supplies and services – Appendix	2,766,755	-	2,766,755	1,298,105	-	1,298,105
Illegal brokerage practices – Appendix	40,664	-	40,664	12,208	-	12,208
Investment income (Note 16)	103,794	162,927	266,721	142,668	189,112	331,780
Interest on income held in trust accounts (Note 12)	14,830	-	14,830	8,777	-	8,777
Other incomes for financing fund for public information (Note 12)	103,129	-	103,129	-	-	-
Partnership, net income share (Note 7)	128,976	-	128,976	-	-	-
Other	284,307	8,525	292,832	218,041	5,200	223,241
	22,680,245	1,202,899	23,883,144	20,450,423	1,256,981	21,707,404
EXPENSES						
Administration						
Salaries and employee benefits	7,177,382	333,167	7,510,549	7,054,629	282,530	7,337,159
Professional fees	441,563	95,362	536,925	423,646	84,710	508,356
Board of Directors and committees	1,150,853	34,218	1,185,071	1,012,606	31,570	1,044,176
Meeting and travel	650,038	-	650,038	480,283	-	480,283
Office expenses	536,832	13,726	550,558	629,949	10,501	640,450
Occupancy expenses	887,531	19,258	906,789	914,081	22,082	936,163
Contribution to the Ministère des Finances du Québec	171,224	-	171,224	84,598	-	84,598
Publications and public relations	252,629	-	252,629	214,537	-	214,537
Technological costs	214,730	-	214,730	215,097	-	215,097
Transaction costs	358,255	-	358,255	329,508	-	329,508
Elections	-	-	-	62,399	-	62,399
Indemnities	-	173,100	173,100	-	144,360	144,360
Amortization of capital assets (Note 9)	458,430	-	458,430	429,478	-	429,478
Continuing education – Appendix	2,035,459	-	2,035,459	1 255,594	-	1,255,594
Basic training and examinations – Appendix	1,971,935	-	1,971,935	998,926	-	998,926
Discipline and syndic – Appendix	3,260,393	-	3,260,393	2 975,800	-	2,975,800
Supplies and services – Appendix	920,075	-	920,075	474,127	-	474,127
Illegal brokerage practices – Appendix	425,785	-	425,785	343,164	-	343,164
Fund for public information (Note 12)	2,736,448	-	2,736,448	1,473,662	-	1,473,662
Acquisition costs of participation in partnership	485,443	-	485,443	-	-	-
	24,135,005	668,831	24,803,836	19,372,084	575,753	19,947,837
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES	(1,454,760)	534,068	(920,692)	1,078,339	681,228	1,759,567

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

	General Operating Fund				
	Invested in capital assets	Internally restricted (Note 12)	Unrestricted	Indemnity Fund	TOTAL
	$	$	$	$	$
Balance as at January 1, 2011	3,104,889	-	3,438,314	2,503,898	9,047,101
Excess (deficiency) of revenue over expenses	(645,705)*	(1,464,885)	3,188,929	681,228	1,759,567
Investment in capital assets	485,627	-	(485,627)	-	-
Internally restricted (Note 12)	-	1,464,885	(1,464,885)	-	-
Balance as at December 31, 2011	2,944,811	-	4,676,731	3,185,126	10,806,668
(Deficiency) excess of revenue over expenses	(673,537)*	(2,618,489)	1,837,266	534,068	(920,692)
Investment in capital assets	647,319	-	(647,319)	-	-
Internally restricted (Note 12)	-	2,618,489	(2,618,489)	-	-
BALANCE AS AT DECEMBER 31, 2012	2,918,593	-	3,248,189	3,719,194	9,885,976

* Represents the amortization of capital assets of $859,907 ($838,559 in 2011), net of the amortization of the lease inducement of $193,819 ($192,854 in 2011) for leasehold improvements, plus loss on disposal of capital asset of $7,449 (nil in 2011).

BALANCE SHEETS
AS AT DECEMBER 31, 2012

	General Operating Fund	Indemnity Fund	TOTAL December 31, 2012
	$	$	$
ASSETS			
Current assets			
Cash	539,965	208,444	748,409
Investments (Note 4)	4,518,384	-	4,518,384
Accrued interest receivable	9,785	8,955	18,740
Accounts receivable (Note 5)	785,244	-	785,244
Advance to the Indemnity Fund (Note 6)	144,594*	-	-
Supplies inventory (Note 8)	332,378	-	332,378
Prepaid expenses	837,333	-	837,333
	7,167,683	217,399	7,240,488
Investments (Note 4)	-	4,514,101	4,514,101
Interest in a partnership (Note 7)	3,895,901	-	3,895,901
Capital assets (Note 9)	6,327,282	-	6,327,282
	17,390,866	4,731,500	21,977,772
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities (Note 10)	2,459,040	16,451	2,475,491
Accounts payable to the General Operating Fund (Note 6)	-	144,594*	-
Provision for claims (Note 11)	-	514,989	514,989
Deferred revenue	5,235,911	336,272	5,572,183
	7,694,951	1,012,306	8,562,663
Deferred lease inducement at net book value	3,529,133	-	3,529,133
	11,224,084	1,012,306	12,091,796
Commitments and contingencies (Notes 14 and 15)			
NET ASSETS			
Invested in capital assets	2,918,593	-	2,918,593
Unrestricted	3,248,189	-	3,248,189
Indemnity Fund	-	3,719,194	3,719,194
	6,166,782	3,719,194	9,885,976
	17,390,866	4,731,500	21,977,772

* These amounts are not included in the "Total" column as they cancel each other out.

BALANCE SHEETS

AS AT DECEMBER 31, 2011 AND JANUARY 1, 2011

	General Operating Fund	Indemnity Fund	TOTAL December 31, 2011	General Operating Fund	Indemnity Fund	TOTAL January 1, 2011
	$	$	$	$	$	$
ASSETS						
Current assets						
Cash	3,994,264	393,441	4,387,705	3,585,578	1,041,290	4,626,868
Investments (Note 4)	6,635,455	-	6,635,455	6,210,824	-	6,210,824
Accrued interest receivable	76,294	23,349	99,643	63,011	7,903	70,914
Accounts receivable (Note 5)	640,030	-	640,030	784,114	-	784,114
Advance to the Indemnity Fund (Note 6)	78,056*	-	-	239,932*	-	-
Supplies inventory (Note 8)	70,809	-	70,809	159,748	-	159,748
Prepaid expenses	629,029	-	629,029	91,088	-	91,088
	12,123,937	416,790	12,462,671	11,134,295	1,049,193	11,943,556
Investments (Note 4)	-	3,666,484	3,666,484	-	2,461,007	2,461,007
Interest in a partnership (Note 7)	-	-	-	-	-	-
Capital assets (Note 9)	6,512,629	-	6,512,629	6,865,561	-	6,865,561
	18,636,566	4,083,274	22,641,784	17,999,856	3,510,200	21,270,124
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (Note 10)	1,930,837	78,000	2,008,837	1,763,888	24,928	1,788,816
Accounts payable to the General Operating Fund (Note 6)	-	78,056*	-	-	239,932*	-
Provision for claims (Note 11)	-	374,210	374,210	-	364,314	364,314
Deferred revenue	5,389,043	367,882	5,756,925	5,797,886	377,128	6,175,014
	7,319,880	898,148	8,139,972	7,561,774	1,006,302	8,328,144
Deferred lease inducement at net book value	3,695,144	-	3,695,144	3,894,879	-	3,894,879
	11,015,024	898,148	11,835,116	11,456,653	1,006,302	12,223,023
Commitments and contingencies (Notes 14 and 15)						
NET ASSETS						
Invested in capital assets	2,944,811	-	2,944,811	3,104,889	-	3,104,889
Unrestricted	4,676,731	-	4,676,731	3,438,314	-	3,438,314
Indemnity Fund	-	3,185,126	3,185,126	-	2,503,898	2,503,898
	7,621,542	3,185,126	10,806,668	6,543,203	2,503,898	9,047,101
	18,636,566	4,083,274	22,641,784	17,999,856	3,510,200	21,270,124

* These amounts are not included in the "Total" column as they cancel each other out.

Approved by the Board

Serge Brousseau
Chairman of the Board

Daniel Pelchat
Treasurer of the Board

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

	General Operating Fund	Indemnity Fund	TOTAL 2012	General Operating Fund	Indemnity Fund	TOTAL 2011
	$	$	$	$	$	$
OPERATING ACTIVITIES						
(Deficiency) excess of revenue over expenses	(1,454,760)	534,068	(920,692)	1,078,339	681,228	1,759,567
Items not affecting cash:						
Realized and unrealized loss (gain) on investments	93,478	(48,894)	44,584	258,019	(116,746)	141,273
Partnership net income share	(128,976)	-	(128,976)	-	-	-
Amortization of capital assets	859,907	-	859,907	838,559	-	838,559
Amortization of lease inducements	(200,701)	-	(200,701)	(199,735)	-	(199,735)
Disposal of capital assets	7 449	-	7,449	-	-	-
	(823,603)	485,174	(338,429)	1,975,182	564,482	2,539,664
Change in non-cash operating working capital	(240,045)	128,552	(111,493)	(398,219)	(123,600)	(521,819)
	(1,063,648)	613,726	(449,922)	1,576,963	440,882	2,017,845
INVESTING ACTIVITIES						
Acquisition of participation in partnership	(3,766,925)	-	(3,766,925)	-	-	-
Acquisition of investments	(7,831,528)	(3,153,254)	(10,984,782)	(16,313,380)	(2,035,772)	(18,349,152)
Proceeds on sale of investments	9,855,121	2,354,531	12,209,652	15,630,730	947,041	16,577,771
Acquisition of capital assets	(682,009)	-	(682,009)	(485,627)	-	(485,627)
	(2,425,341)	(798,723)	(3,224,064)	(1,168,277)	(1,088,731)	(2,257,008)
FINANCING ACTIVITIES						
Increase on rent inducement	34,690	-	34,690	-	-	-
Net (decrease) increase in cash	(3,454,299)	(184,997)	(3,639,296)	408,686	(647,849)	(239,163)
Cash, beginning of year	3,994,264	393,441	4,387,705	3,585,578	1,041,290	4,626,868
CASH, END OF YEAR	539,965	208,444	748,409	3,994,264	393,441	4,387,705

NOTES
TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND DECEMBER 31, 2011

1. DESCRIPTION OF THE ORGANIZATION

L'Organisme d'Autoréglementation du courtage immobilier du Québec (the "OACIQ"), incorporated under the *Real Estate Brokerage Act* (R.S.Q., c. C 73.2) (the "Act"), has a primary role in protecting the public in real estate and mortgage brokerage dealings by enforcing rules of professional conduct and by inspecting the activities of brokers and agencies, mainly, by ensuring that the professional activities engaged in by brokers and agencies are in compliance with the Act.

It may also provide training courses for brokers and agency executive officers, with the exception of basic training courses, and award the titles referred to in Section 48 of the Act.

2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

During the year ended December 31, 2012, the OACIQ adopted the new Canadian accounting standards for not-for-profit organizations (the "new standards") adopted by the Canadian Institute of Chartered Accountants ("CICA"). In accordance with CICA Handbook Section 1501, *First-time adoption*, ("Section 1501"), the date of transition to the new standards was January 1, 2011, and OACIQ has prepared and presented an opening balance sheet at the date of transition to the new standards. This opening balance sheet is the starting point for the entity's accounting under the new standards. In its opening balance sheet, under the recommendations of Section 1501, OACIQ:

a) recognized all assets and liabilities whose recognition is required by the new standards;

b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;

c) reclassified items that it recognized previously as one type of asset, liability or component of fund balances, but are recognized as a different type of asset, liability or component of fund balances under the new standards; and

d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented.

The adoption of the new standards has resulted in a mandatory change in presentation in the financial statements, in order to disclose the amount owed to the government separately, which was included in the accounts payable and accrued liabilities previously. As such, an amount of $164,912 as at January 1, 2011, was disclosed separately in Note 10.

3. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following significant accounting policies:

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the OACIQ becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost except for investments, which are recognized at fair value on the balance sheet date. The fair value of investments is based on quoted bid prices. Fair value fluctuations, interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to the other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the statements of income as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the OACIQ recognizes in the statements of income an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease is related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net income in the period the reversal occurs.

Fund accounting

The General Operating Fund is used for all ordinary and regular operations of the OACIQ. Revenue and expenses related to services and administration are presented in the General Operating Fund.

The Real Estate Indemnity Fund is dedicated to the payment of indemnities to victims of fraud, fraudulent tactics or misappropriation of funds for which a broker or agency is responsible. This fund is established in accordance with Section 108 of the Act. The assets of this Fund are not part of the OACIQ's assets and may not be used to fulfill the OACIQ's obligations.

Revenue recognition

The OACIQ follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Supplies inventory

The supplies inventory is valued at the lower of cost and net realizable value. Cost is determined on the first in, first out basis.

Capital assets

Capital assets are recorded at cost and are amortized based on their estimated useful life using the straight-line method over the following terms:

Computer equipment	1 and 3 years
Office equipment	4 years
Telephone equipment	7 years
Furniture	10 and 20 years
Leasehold improvements	term of the lease

Investment in a limited partnership

The OACIQ holds an interest in the limited partnership that owns the building that OACIQ uses for its activities.

The OACIQ has decided to account for its investment in the limited partnership using the equity method adjusted for depreciation of the rental property calculated using the straight-line method over a period of 40 years.

Under the equity method, the OACIQ initially records the investment at cost and then adjusts the carrying value by including the limited partnership's pro rata share of post-acquisition income computed by the consolidation method. The OACIQ includes the share of income in determining its net income and increases or decreases the balance of its "Investment" account. Profit distributions received from an investee reduce the carrying value of the investment. The share in balance sheet items is not recognized by the OACIQ in the balance sheets, but is disclosed in Note 7, Investment in a limited partnership.

The OACIQ recognizes an impairment loss, if any, in net income when it determines that a significant adverse change has occurred during the period in the expected timing or amount of the investee's future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed in net income in the period the reversal occurs.

Deferred revenue

Revenue from annual fees from licence holders is charged to the statements of income on a monthly basis over the duration of the broker licences, which is 12 months. In accordance with Section 22 of the *Regulation respecting the issue of broker's and agency licences*, they are not refundable to licence holders and they will be applicable on the income of the next year-end.

Deferred lease inducement

The deferred lease inducement represents the amounts collected from the landlord as lease inducements made up of an allowance for leasehold improvements and free rent. This income is amortized on a straight-line basis over the original term of the lease, which expires in June 2030, i.e., 20 years. Amortization is applied against occupancy expenses in the statements of income.

3. ACCOUNTING POLICIES (CONTINUED)

Income taxes and other taxes

As a not-for-profit organization for income tax purposes, the OACIQ is not subject to income taxes. However, because of the activities of its professional liability insurance fund ("FARCIQ"), the Organization is subject to the compensation tax on Quebec financial institutions. Under the Act, it is the OACIQ that holds an insurer's licence and not FARCIQ. The compensation tax the OACIQ is required to pay is calculated based on the total salaries paid by the Organization and the FARCIQ, and the resulting expense is recognized in the FARCIQ's income.

Disclosure of allocated expenses

A unique coding system is used for each of the OACIQ's services and activities. The OACIQ's general support expenses and overhead are allocated as follows:

Proportionately on the basis of hours allocated to the activity by human resources:

- Salaries and employee benefits,
- Telecommunications,
- Training, conferences and seminars,
- Board of Directors and committees,
- Meetings,
- Elections;

Proportionately on the basis of expense type:

- Insurance,
- Membership fees,
- Legal and miscellaneous fees,
- Communication expenses;

Proportionately on the basis of the purpose of the delivery:

- Printing for external use,
- Delivery;

Proportionately on the basis of user services:

- Data bank,
- Stationery and supplies,
- Writing and translation;

Proportionately on the basis of number of employees in the department:

- Amortization – furniture, office equipment, computer equipment and telephone equipment,
- Insurance,
- Maintenance equipment,
- Stationery,
- Computer supplies,
- Telephone;

Proportionately on the basis of square footage occupied by the department:

- Normal rent,
- Operating costs,
- Property tax,
- Maintenance of premises,
- Amortization of leasehold improvements,
- Rent allocation.

The amounts charged to the various activities are presented in the statements of income, the Appendix and Note 12 to the financial statements.

Use of estimates

The preparation of financial statements in conformity with the Canadian accounting standars for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the estimated useful lives of capital assets, the allowance for doubtful accounts, the provisions for claims and litigation and accrued liabilities. Actual results could differ from those estimates.

4. INVESTMENTS

General Operating Fund investments consist of bonds, which earn interest from 4.50% to 5.50% (1.60% to 5.60% as at December 31, 2011, and 1.15% to 5.90% as at January 1, 2011), and mature between March 2013 and December 2017 (between January 2012 and February 2013 as at December 31, 2011, and between January 2011 and January 2012 as at January 1, 2011).

Indemnity Fund investments consist of bonds, which earn interest from 2.00% to 5.10% (1.65% to 8.00% as at December 31, 2011, and 2.65% to 5.10% as at January 1, 2011), and mature between January 2013 and January 2023 (between January 2012 and December 2026 as at December 31, 2011, and between September 2011 and June 2026 as at January 1, 2011).

5. ACCOUNTS RECEIVABLE

	December 31		January 1
	2012	2011	2011
	$	$	$
General Operating Fund			
Trade	631,405	602,581	780,362
Allowance for doubtful accounts	(154,573)	(97,807)	(89,395)
	476,832	504,774	690,967
Sales taxes	308,412	135,256	93,147
	785,244	640,030	784,114

6. INTERFUND ADVANCES AND AMOUNTS PAYABLE

The advance from the General Operating Fund to the Indemnity Fund represents a refund of expenses paid by the General Operating Fund for the Indemnity Fund activities. Interfund advances and amounts payable are non-interest-bearing.

7. INVESTMENT IN A LIMITED PARTNERSHIP

During the year, the OACIQ acquired a 50% interest for a cash amount of $3,516,925 in the limited partnership that owns the building in which the OACIQ operates.

The OACIQ's share in the limited partnership's net assets as at December 31, 2012, and in its net income for the period from April 1, 2012 to December 31, 2012, is as follows:

	2012
	$
BALANCE SHEET	
Assets	
Rental property	10,478,366
Other assets	1,377,210
	11,855,576
Liabilities	
Bank loans	9,927,896
Other liabilities	384,566
	10,312,462
Net equity	1,543,114
	11,855,576
Statement of income	
Revenue	1,192,503
Expenses	857,915
Income before amortization	334,588
Amortization	(205,612)
Share in net income of the limited partnership	128,976
Cash flows	
Operating activities	433,955
Investing activities	(30,440)
Financing activities	(358,074)
	45,441

The financial statements of the limited partnership are prepared in accordance with Canadian accounting standards for private enterprises. There are no material differences resulting from the application of different accounting standards between the limited partnership and the OACIQ, except for the fact that they did not recognize any amortization expense.

There were no transactions between these two parties except for the payment of the $1,637,951 lease and related costs in 2012 and an amount of $34,690 included in accounts receivable. Related party transactions occurred in the normal course of operations and were measured at the exchange amount.

The total value of the interest in a limited partnership as at December 31, 2012, is as follows:

	2012
	$
Initial investment	3,516,925
Capital advance	250,000
Share in net income after amortization	128,976
	3,895,901

8. SUPPLIES INVENTORY

The cost of supplies inventory sold, which is recognized as an expense during the year, amounts to $703,948 ($358,077 as at December 31, 2011).

9. CAPITAL ASSETS

	DECEMBER 31, 2012		
	Cost	Accumulated amortization	Net book value
	$	$	$
General Operating Fund			
Computer equipment	1,401,998	1,008,630	393,368
Office equipment	657,488	490,541	166,947
Telephone equipment	279,557	97,071	182,486
Furniture	2,328,848	734,959	1,593,889
Leasehold improvements	4,535,674	545,082	3,990,592
	9,203,565	2,876,283	6,327,282

	DECEMBER 31, 2011		
	Cost	Accumulated amortization	Net book value
	$	$	$
General Operating Fund			
Computer equipment	1,423,808	955,896	467,912
Office equipment	651,328	399,625	251,703
Telephone equipment	270,554	57,604	212,950
Furniture	2,129,316	580,882	1,548,434
Leasehold improvements	4,356,688	325,058	4,031,630
	8,831,694	2,319,065	6,512,629

	JANUARY 1, 2011		
	Cost	Accumulated amortization	Net book value
	$	$	$
General Operating Fund			
Computer equipment	1,141,324	602,107	539,217
Office equipment	535,394	319,087	216,307
Telephone equipment	259,826	19,890	239,936
Furniture	2,094,266	432,644	1,661,622
Leasehold improvements	4,316,389	107,910	4,208,479
	8,347,199	1,481,638	6,865,561

Amortization of capital assets for the year ended December 31, 2012, amounts to $859,907 ($838,559 as at December 31, 2011), of which $458,430 ($429,478 as at December 31, 2011), is clearly presented in the statements of income of the General Operating Fund. The remaining balance is allocated to the cost centres of the General Operating Fund.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	DECEMBER 31, 2012		
	General Operating Fund	Indemnity Fund	Total
	$	$	$
Accounts payable	396,229	-	396,229
Accrued liabilities	348,389	12,500	360,889
Salaries	1,352,891	-	1,352,891
Government remittances	361,531	-	361,531
Claims payable	-	3,951	3,951
	2,459,040	16,451	2,475,491

	DECEMBER 31, 2011		
	General Operating Fund	Indemnity Fund	Total
	$	$	$
Accounts payable	283,136	-	283,136
Accrued liabilities	333,891	5,000	338,891
Salaries	1,176,830	-	1,176,830
Government remittances	136,980	-	136,980
Claims payable	-	73,000	73,000
	1,930,837	78,000	2,008,837

	JANUARY 1, 2011		
	General Operating Fund	Indemnity Fund	Total
	$	$	$
Accounts payable	378,871	-	378,871
Accrued liabilities	279,246	4,928	284,174
Salaries	940,859	-	940,859
Government remittances	164,912	-	164,912
Claims payable	-	20,000	20,000
	1,763,888	24,928	1,788,816

11. PROVISION FOR CLAIMS

Upon receipt of a claim duly sworn, the Indemnity Fund's policy is to recognize a provision of 25% of the amount claimed. Since May 1, 2010, the maximum compensation payable from the Fund is $35,000, whereas before, the amount was $15,000. This provision is maintained until the final decision of the Indemnity Committee.

12. FINANCING FUND FOR PUBLIC INFORMATION

The Financing Fund of the OACIQ was established in accordance with the Act. The Fund is made up of interest earned on the money held in trust accounts by brokers under the Act. The Fund must be used in particular to produce and disseminate information on the public's rights in real estate brokerage and to promote the quality of services provided by brokers and agencies.

Interest income paid to the Fund and Fund-related expenses, which are included in the revenue and expenses of the OACIQ's General Operating Fund, are as follows:

	2012	2011
	$	$
Net loss on interest held in trust accounts by licence holders		
Sponsorship for the fund for public information	103,129	-
Interest on income held in trust accounts	14,830	8,777
	117,959	8,777
Publicity	2,494,361	1,338,892
Salaries and employee benefits	115,423	85,648
Professional fees	83,223	36,658
Office expenses	17,442	-
Travel	11,393	364
Bank charges	14,606	12,100
	2,736,448	1,473,662
	(2,618,489)	(1,464,885)

13. CAPITAL DISCLOSURES

The capital management objective is to safeguard the OACIQ's ability to protect the public through application of the rules of ethics and to perform professional inspections of its licence holders by ensuring, in particular, that its licence holders undertake their activities in accordance with the Act and the regulations. The OACIQ is not subject to externally restricted capital requirements.

The OACIQ considers the amount of net assets recorded in the balance sheets as its capital.

14. COMMITMENTS

The OACIQ is committed under a lease that expires in July 2030 for the rental of head office space owned by the limited partnership, and under vehicle leases expiring between January 2012 and February 2016. Minimum future rent payments total $33,183,811 and include the following payments over the next five years:

	$
2013	1,727,792
2014	1,719,576
2015	1,749,452
2016	1,791,606
2017	1,779,163

15. CONTINGENCIES

In the normal course of business, the OACIQ is involved in various claims. Though the outcome of these various pending claims as at December 31, 2012, cannot be determined with certainty, the OACIQ believes that their outcome will have no significant adverse effect on its financial position, operating results or cash flows.

16. INVESTMENT INCOME

	2012			2011		
	General Operating Fund	Indemnity Fund	Total	General Operating Fund	Indemnity Fund	Total
	$	$	$	$	$	$
Interest	197,272	114,033	311,305	400,687	72,366	473,053
Realized (losses) gains on investments	(89,498)	90,232	734	(154,266)	30,316	(123,950)
Unrealized (losses) gains on investments	(3,980)	(41,338)	(45,318)	(103,753)	86,430	(17,323)
Investment income	103,794	162,927	266,721	142,668	189,112	331,780

17. OACIQ'S PROFESSIONAL LIABILITY INSURANCE FUND

In accordance with the Act, the OACIQ has created a Professional Liability Insurance Fund, which is governed by the Act respecting insurance. The OACIQ holds the right to appoint all members of the board; thus, according to Canadian accounting standards for not-for-profit organizations, the OACIQ controls the Fund. The financial information as at December 31, 2012, December 31, 2011 and January 1, 2011, is not consolidated in these financial statements and is summarized as follows:

	DECEMBER 31		JANUARY 1
	2012	2011	2011
	$	$	$
Balance sheets			
Assets	**51,042,247**	48,542,129	44,251,513
Liabilities	**21,087,799**	24,265,331	25,292,553
Accumulated surplus	**29,954,448**	24,276,798	18,958,960
	51,042,247	48,542,129	44,251,513

	2012	2011
	$	$
Statements of income		
Revenue	**10,310,268**	10,528,315
Expenses	**4,201,542**	5,901,550
Earnings for the year	**6,108,726**	4,626,765
Unrealized gain (loss) on available-for-sale securities	**227,473**	458,098
Portion reclassified to income from available-for-sale securities	**(658,549)**	232,975
Comprehensive income	**5,677,650**	5,317,838
Cash flows		
Operating activities	**4,168,262**	6,280,013
Investing activities	**(4,901,388)**	(6,231,334)

The financial statements of the Fund are prepared in accordance with IFRS. With respect to the application of accounting policies, the main difference between the Fund and the OACIQ concerns the measurement and disclosure of financial instruments. The Fund complies with IFRS disclosure requirements while the OACIQ complies with Part III of the CICA Handbook.

During the year, the OACIQ incurred, with the Fund, management expenses totalling $59,802 ($62,079 in 2011), and occupancy expenses for an amount of $91,669 ($103,049 in 2011). These transactions occurred in the normal course of operations and were measured at the exchange amount. As at December 31, 2012, an amount of $70,143 is included in accounts receivable in relation to the transactions ($10,506 as at December 31, 2011, and $291,197 as at January 1, 2011). An additional amount of $186,000 is receivable from the Fund for the compensation tax. Furthermore, accounts payable and accrued liabilities include an amount payable of $7,690 for premiums collected by the OACIQ for the Fund ($39,208 as at December 31, 2011, and nil as at January 1, 2011).

18. FINANCIAL INSTRUMENTS

Credit risk

The OACIQ extends credit to licence holders in the normal course of business. Ongoing credit checks are conducted and the balance sheets include an allowance for doubtful accounts.

In addition, credit risk arises because the OACIQ holds investments in bonds. Therefore, there is a risk that a bond issuer could fail to meet its obligations toward the OACIQ, which would affect the assets of the OACIQ.

Interest rate risk

Investments bear interest at fixed rates. Consequently, a change in the market interest rate will have an impact on the fair value of the investments.

Liquidity risk

The OACIQ's objective is to have sufficient liquidity to meet its liabilities when due. The OACIQ monitors its cash balances and cash flows generated from operations to meet its requirements. As at December 31, 2012, the most significant financial liabilities are accounts payable and accrued liabilities.

REVENUE AND EXPENSES

APPENDIX

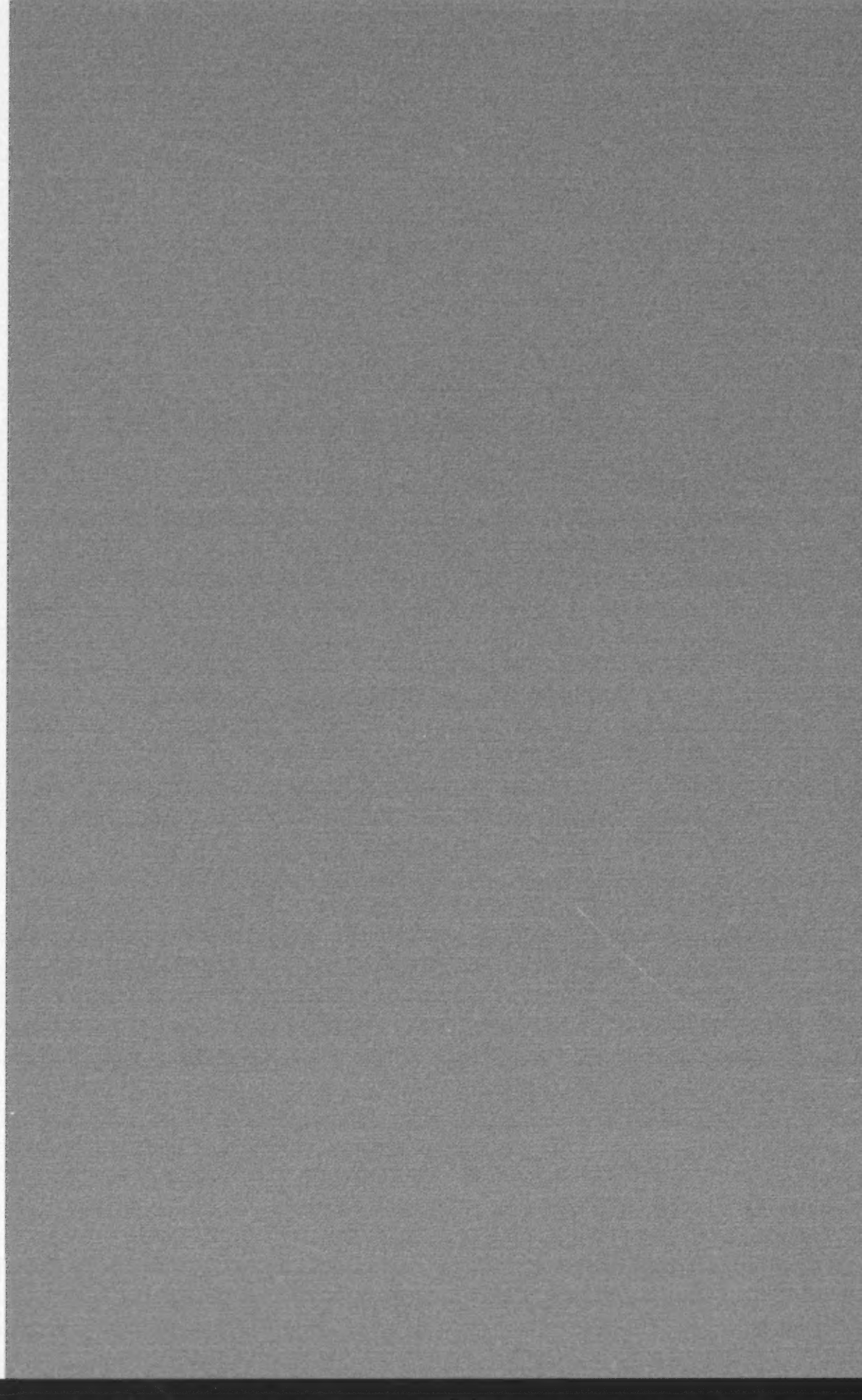
YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

	2012	2011
	$	$
CONTINUING EDUCATION		
Revenue		
Continuing education activities	1,576,388	204,582
Direct expenses		
Salaries and employee benefits	934,260	645,872
Professional fees	525,094	105,409
Occupancy expenses	167,964	195,376
Travel	305,080	271,749
Publications	71,680	3,441
Office expenses	11,259	14,300
Doubtful accounts	1,487	1,267
Amortization of capital assets	18,635	18,180
	2,035,459	1,255,594
	(459,071)	(1,051,012)
BASIC TRAINING AND EXAMINATIONS		
Revenue		
Revenue related to examinations	1,028,527	816,461
Direct expenses		
Salaries and employee benefits	1,196,064	761,190
Professional fees	536,142	95,087
Occupancy expenses	92,861	77,994
Travel	82,414	21,256
Office expenses	23,456	14,312
Amortization of capital assets	40,998	29,087
	1,971,935	998,926
	(943,408)	(182,465)
DISCIPLINE AND SYNDIC		
Revenue		
Fines and premiums received	278,786	245,059
Direct expenses		
Discipline committee	382,518	613,494
Salaries and employee benefits	1,781,812	1,420,730
Doubtful accounts	161,897	140,506
Delivery	107,535	129,502
Professional fees	305,962	164,497
Occupancy expenses	271,814	282,889
Office expenses	86,041	67,501
Public notices	25,702	37,953
Travel	43,935	38,739
Amortization of capital assets	93,177	79,989
	3,260,393	2,975,800
	(2,981,607)	(2,730,741)

REVENUE AND EXPENSES (CONTINUED)

YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011

	2012	2011
	$	$
SUPPLIES AND SERVICES		
Revenue		
Sales of forms, manuals and other	2,766,755	1,298,105
Direct expenses		
Cost of sales	779,378	385,068
Salaries and employee benefits	137,363	84,330
Printing and translation	-	5,100
Other expenses	810	270
Doubtful accounts	2,524	(641)
	920,075	474,127
	1,846,680	823,978
ILLEGAL BROKERAGE PRACTICES		
Revenue		
Penalties received	40,664	12,208
Direct expenses		
Salaries and employee benefits	313,625	237,977
Penal investigations	24,954	28,310
Legal fees	41,983	32,820
Occupancy expenses	19,114	20,173
General administration	11,201	9,341
Amortization of capital assets	14,908	14,543
	425,785	343,164
	(385,121)	(330,956)



FARCIQ

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

ANNUAL REPORT
2012

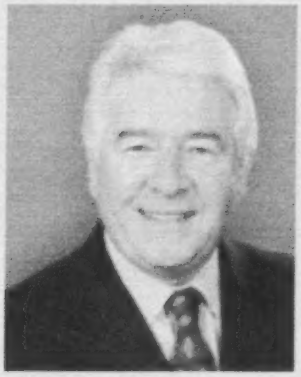
FARCIQ DIRECTORS
AS AT DECEMBER 31, 2012

LÉONARD, MICHEL
Chairman of the Board of Directors
Chartered Real Estate Broker and Lawyer
President of Fonds de Placement Immobilier BTB
President of Visibility and Governance Committees and Member of Audit, Ethics, Prevention and claims, and Investments Committees

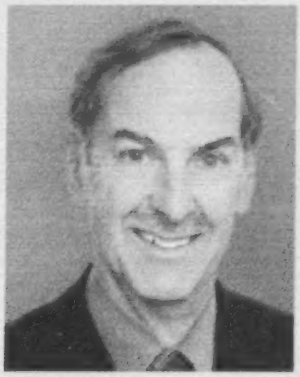
SAVOIE, JEAN-GUY
Vice-Chair of the Board of Directors
Real Estate Broker with Royal LePage La Renaissance
Member of Prevention and Claims, and Governance Committee

DUPRAS, MARTIN, a.s.a., PL.Fin., D.FISC.
Treasurer and Director
President of ConFor financiers inc.
Chair of Audit and Investments Committees and Member of Governance Committee

PELLETIER, LOUIS-GEORGES, AIAC
Director
General Insurance Broker
Chair of Prevention and Claims Committee and Member of Investments, Governance and Visibility Committees



ARDUINI, ALBERT, T.P., PAA
Director
Director, Building Inspection and Expertise SCM Gestion des Risques Inc.
Member of Audit and Prevention and Claims Committees



COUSINEAU, YVES
Director
Lawyer, Robinson Sheppard Shapiro, s.e.n.c.r.l.
Chair of Ethics Committee and Member of Governance Committee

LECAT, XAVIER
Director
Real Estate Broker, Expert Immobilier PM enr.
Member of Investments and Visibility Committees

MAJEAU, DENIS, CPA, CA
Director
Chief Financial Officer, Governance and Operations, Kitco Inc.
Member of Audit and Ethics Committees

ST-JEAN, CHRISTIANE
Director
Franchisee, Agency Manager and President of RE/MAX ACCÈS Inc.
Member of Ethics and Visibility Committees

MISSION

Protect our policyholders' assets through professional liability insurance.

Membership in the *Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec* is mandatory. All real estate and mortgage brokerage agencies and brokers who are duly licensed by the OACIQ are covered by a professional liability insurance for faults, errors or omissions committed in the course of their professional activities.

FARCIQ

Fonds d'assurance responsabilité professionnelle
du courtage immobilier du Québec

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MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Michel Léonard
Chairman of the Board of Directors

2012 was a year of great financial and organizational stability. With governance now well in place, all the members of the Board of Directors renewed their mandate within the organization. This stability speaks to sound and well-balanced management as well as to a clear vision that is shared by all.

The Board of Directors also relies on the work of the Governance, Visibility, Audit, Investments, and Prevention and claims Committees to ensure efficient management and ongoing improvement of all aspects of the organization.

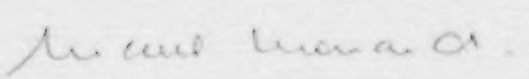
In 2012, policyholders saw an improvement in their insurance coverage, which went from $250,000 to $1,000,000 per claim. The good news is set to continue in 2013 with a $65 reduction in the annual premium, now down to $420. Since 2011, we have quadrupled our insurance coverage and reduced the premium by $130 (a 25% drop), which is very beneficial to our clients. FARCIQ is attentive to the needs of its members and is committed to offering coverage that is advantageous, cost-effective and adapted to the reality of real estate and mortgage brokerage professionals.

The Fund is in sound financial health, allowing us to ensure good management of our reserves in the long term in order to cover claims for errors or omissions on the part of clients and to meet future obligations.

In 2012, 509 claims were processed and 535 files were closed.

Prevention is at the heart of the Fund's actions aimed at reducing the number and frequency of claims. Several of these actions will be implemented in coming years to help our policyholders reduce their exposure to professional liability claims.

Prevention and professionalism on the part of real estate and mortgage brokers benefit everyone, because the fewer claims the Fund receives, the lower the insurance rates will be for brokers. Our mission is to protect our policyholders' assets while safeguarding the collective assets of the organization.



Michel Léonard
Chairman of the Board of Directors

MANAGEMENT REPORT
MESSAGE FROM THE GENERAL MANAGER

Me Louis Haeck
General Manager

The *Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec* (FARCIQ) is proud to post a positive report for 2012, a year marked by stability, strength, change and proactivity.

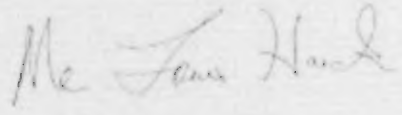
This year, FARCIQ's image underwent a major change as a result of an in-depth strategic review. Our logo, website and communications tools were revamped in order to reflect the organization's dynamic vision and focus on prevention, protection and member satisfaction.

Also in an effort to engage more closely with policyholders and the reality of real estate professionals, the Fund took part for the first time in several industry events in order to have a presence with policyholders and better respond to their needs and concerns. Protection is at the heart of our commitment to our clients, and the Fund wants to help real estate and mortgage brokers protect their assets while providing them with procedural support and the best possible service.

To do so, the Claims team was increased in the course of the year in order to handle the sizeable task of managing claims files. By this measure, the Department aims to ensure a sound management of internal case processing costs and thus maintain a high level of customer service. In the same vein, we have implemented a new computer system to manage claims. This software also allows us to draw up a profile of our policyholders in order to better target our communications and plan our risk management actions.

In an effort to provide a competitive and cost-effective policy, the Fund compares its offering to similar funds in other provinces and to those of other professional organizations in Québec, in order to broaden its horizons and analyze current and future issues that could have major impacts on the activity of real estate brokerage in Québec.

In ending, I would like to thank all FARCIQ employees for their dedication, professionalism and loyalty throughout the year. Their involvement and cooperation helps our organization pursue and fulfill its mission, for the greater benefit of all policyholders. I also wish to thank all FARCIQ directors for their counsel and trust during my term.



M[e] Louis Haeck
General Manager

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte s.e.n.c.r.l.
1, Place Ville Marie, Suite 3000, Montreal QC H3B 4T9
Tel. : 514 393-7115 | Fax : 514 390-4111
www.deloitte.ca

To the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (FARCIQ)

We have audited the accompanying financial statements of the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (the "FARCIQ"), which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in accumulated surplus, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the FARCIQ as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

OTHERS MATTER

The financial statement of FARCIQ for the year ended December 31, 2011 were audited by another auditor who expressed an unmodified opinion on those financial statements on February 21, 2012.

Deloitte s.e.n.c.s.l.

February 20, 2013

[1] CPA auditor, CA, public accountancy permit No. A116933

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2012

(IN CANADIAN DOLLARS)

	2012	2011
	$	$
Insurance operations		
Premiums earned (Note 11)	9,021,625	9,778,162
Reinsurance premiums ceded (Note 11)	(493,753)	(533,315)
Net earned premiums	8,527,872	9,244,847
Claims and loss adjustment expenses	2,563,663	4,304,281
General and administrative expenses	1,637,879	1,597,269
Total claims and expenses	4,201,542	5,901,550
Other comprehensive income		
Underwriting profit	4,326,330	3,343,297
Investment and other income (Note 4)	1,782,396	1,283,468
Income for the year	6,108,726	4,626,765
Unrealized gain (loss) on available-for-sale securities	227,473	458,098
Portion reclassified to income from available-for-sale securities	(658,549)	232,975
Comprehensive income	5,677,650	5,317,838

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

YEAR ENDED DECEMBER 31, 2012

(IN CANADIAN DOLLARS)

	Accumulated surplus	Accumulated other comprehensive income	TOTAL	
			2012	2011
	$	$	$	$
Balance, beginning of year	23,449,643	827,155	24,276,798	18,958,960
Income for the year	6,108,726	-	6,108,726	4,626,765
Other comprehensive income	-	(431,076)	(431,076)	691,073
Balance, end of year	29,558,369	396,079	29,954,448	24,276,798

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012
(IN CANADIAN DOLLARS)

	2012	2011
	$	$
Assets		
Cash	145,195	708,646
Treasury bills (interest rate of 0.90% 2011)	-	169,675
Investments (Note 4)	46,993,685	41,839,376
Investment income receivable	171,186	182,618
Premiums and other receivables (Note 14)	126,446	139,135
Amounts recoverable from reinsurers for claims liabilities (Note 9)	2,575,000	4,579,000
Deductibles recoverable from policyholders for claims liabilities	528,627	456,339
Prepaid reinsurance	236,555	257,198
Prepaid expenses	38,142	5,410
Property, plant and equipment (Note 7)	58,123	89,143
Intangible assets (Note 8)	169,288	115,589
	51,042,247	48,542,129
Liabilities		
Accounts payable and accrued liabilities	93,237	544,319
Due to OACIQ (Note 13)	249,792	10,825
Unearned premiums	3,023,266	3,159,848
Claims liabilities (Note 9)	17,721,504	20,550,339
	21,087,799	24,265,331
Commitments (Note 16)		
Accumulated surplus		
Accumulated surplus, end of year	29,558,369	23,449,643
Accumulated other comprehensive income	396,079	827,155
	29,954,448	24,276,798
	51,042,247	48,542,129

Approved by the Board of Directors

MICHEL LÉONARD
Chairman of the Board of Directors

MARTIN DUPRAS
Treasurer and Director

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

(IN CANADIAN DOLLARS)

	2012	2011
	$	$
Operating activities		
Income for the year	6,108,726	4,626,765
Adjustments for:		
Amortization of property, plant and equipment	35,665	35,734
Amortization of intangible assets	22,435	71,050
Amortization of premiums and investment discounts	155,216	256,278
Gain on disposal of investments	(658,549)	(307,552)
Income of reinvested dividends	(261,443)	-
	5,402,050	4,682,275
Change in non-cash working capital items:		
Investment income receivable	11,432	97,422
Premiums and other receivables	12,689	251,111
Prepaid expenses	(32,732)	6,445
Amounts recoverable from reinsurers for claims liabilities	2,004,000	2,343,000
Prepaid reinsurance	20,643	(66,812)
Deductibles recoverable from policyholders for claims liabilities	(72,288)	(6,206)
Accounts payable and accrued liabilities	(451,082)	378,233
Due to OACIQ	238,967	(215,566)
Unearned premiums	(136,582)	(391,095)
Claims liabilities	(2,828,835)	(798,794)
	4,168,262	6,280,013
Investing activities		
Acquisition of investments	(33,410,018)	(57,006,809)
Proceeds on disposal of investments	28,589,409	50,902,755
Additions to property, plant and equipment	(4,645)	(25,316)
Additions to intangible assets	(76,134)	(101,964)
	(4,901,388)	(6,231,334)
(Decrease) increase in cash and cash equivalents	(733,126)	48,679
Cash and cash equivalents, beginning of year	878,321	829,642
Cash and cash equivalents, end of year	145,195	878,321
Cash and cash equivalents consist of:		
Cash	145,195	708,646
Treasury bills	-	169,675
	145,195	878,321

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012

1. INCORPORATION AND NATURE OF OPERATIONS

Governed by the *Insurance Act*, the Fonds d'assurance responsabilité professionnelle du courtage immobilier du Québec (the "FARCIQ" or "Insurance Fund") (formerly the Fonds d'assurance responsabilité professionnelle de l'Association des courtiers et agents immobiliers du Québec) was incorporated by Québec's self-regulatory body for real estate brokers, the Organisme d'autoréglementation du courtage immobilier du Québec (the "OACIQ") (formerly the Association des courtiers et agents immobiliers du Québec). The OACIQ obtained its insurer permit on July 4, 2006, and the Insurance Fund commenced operations on July 21, 2006. Its mission is to provide professional liability insurance coverage to OACIQ real estate brokers and agents. The Insurance Fund's head office is located at 4905 Lapinière Blvd., Suite 2800, Brossard, Québec, Canada. FARCIQ is not subject to the *Income Tax Act*.

2. BASIS OF PRESENTATION

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These financial statements and the accompanying notes were authorized for issue in accordance with a resolution of the Board of Directors on February 20, 2013.

The Insurance Fund uses a liquidity presentation for statement of financial position.

3. ACCOUNTING POLICIES

Insurance contacts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Insurance Fund agrees to compensate a policyholder on the occurrence of an adverse specified uncertain future event. As a general guideline, the Insurance Fund determines whether it has significant insurance risks, by comparing the benefits that could become payable under various possible scenarios relative to the premium received from the policyholder for insuring the risk.

Claims liabilities

Claims liabilities consist of unpaid claims and loss adjustment expenses "unpaid claims". Unearned premiums are calculated as the unexpired portion of the premiums written on a pro rata basis. Upon receipt of any notice of claim, the net final cost of claims and loss adjustment expenses is first estimated on a case-by-case basis and then reassessed as additional information becomes known. Included in unpaid claims is a provision to account for the future development of these claims, including claims incurred but not reported, as well as a provision for adverse deviations, as required by accepted actuarial practice in Canada. Unpaid claims are discounted to take into account the time value of money using the market rates of the underlying invested assets. An external actuary, appointed by the Board of Directors of the Insurance Fund, evaluates the adequacy of claims liabilities using appropriate actuarial techniques.

Unearned premiums

Premiums written are deferred as unearned premiums and recognized as revenue on a pro rata basis over the terms of the underlying policies.

3. ACCOUNTING POLICIES (CONTINUED)

Reinsurance

Claims are presented in the statement of comprehensive income, net of amounts recoverable from reinsurers. Estimated amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable for claims.

Amounts recoverable from reinsurers are assessed in the same manner as unpaid claims and are recorded to reflect the time value of money.

Cash and cash equivalents

Cash and cash equivalents are carried at fair value and include treasury bills that, at purchase, have a maturity of three months or less. Investment income on cash and cash equivalents is recognized when earned and is included in the statement of comprehensive income within Investment and other income.

Financial instruments

Financial instruments consist of available-for-sale ("AFS") financial assets and loans and receivables.

AFS financial assets are those financial assets that are designated as available for sale, or that are not classified as loans and receivables, held-to-maturity investments, or financial assets at fair value through profit or loss. AFS assets are acquired for an indefinite period and may be sold to meet liquidity requirements.

The investments, all classified as AFS, are carried at fair value on the statement of financial position as of the trade date, and changes in fair value are recorded in other comprehensive income (loss) until the financial asset is disposed of or has become other-than-temporarily impaired. As long as an AFS asset is held and not other-than-temporarily impaired, gains and losses are not recognized in income. When the asset is disposed of or other-than-temporarily impaired, gains and losses are recognized in income as investment and other income and, accordingly, the amount is deducted from other comprehensive income (loss). Gains and losses on the sale of AFS assets are calculated using the average cost method.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost.

Fair value of financial instruments

In accordance with IFRS 7, *Financial Instruments – Disclosures* for financial instruments measured at fair value on the statement of financial position, the Insurance Fund categorizes its fair value measurements according to a three-level hierarchy as described below:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2 – Valuation techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3 – Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Revenue and expense recognition related to financial instruments

The effective interest method of amortization is used for all transaction costs added to the acquisition cost of a financial instrument and for the premiums or discounts earned or incurred for AFS financial instruments. Interest income is recognized as earned.

Determination of fair value of financial instruments

The fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

Subsequent to initial recognition, the fair values are determined based on available information. The fair value of financial instruments is based on ask prices.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Asset costs are amortized using rates established over the estimated life of the assets, using the straight-line method over the following periods:

Telephone system	3 years
Leasehold improvements	lease term
Furniture and equipment	5 years
Computer hardware	3 years

Intangible assets

Intangible assets are recorded at cost, net of accumulated amortization, and consist of application and operating software. Amortization is calculated on a straight-line basis over the estimated useful life of software, which is five years.

Impairment of long-lived assets

Long-lived assets, excluding goodwill, are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may exceed their recoverable amount. The recoverable amount of an asset or cash-generating unit ("CGU") is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of estimated future cash flows expected to arise from an asset or CGU. An impairment loss is the amount, if any, by which the carrying amount of an asset or CGU exceeds its recoverable amount and is charged to income. During the current and previous years, no intangible assets or items of property plant and equipment were impaired.

3. ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective

The Insurance Fund is currently analyzing the impact that the following standards will have on its financial statements:

a) Financial instruments: Classification and measurement

In November 2009 and amended in October 2010, the IASB issued IFRS 9, *Financial Instruments*. This standard represents the completion of the first part of a three-part project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard reduces complexity by replacing the many different rules in IAS 39. The key features of this new standard are as follows:

- A business model test is applied first in determining whether a financial asset is eligible for amortized cost measurement. The business model objective is based on holding financial assets in order to collect contractual cash flows rather than realizing cash flows from the sale of the financial assets;
- In order to be eligible for amortized cost measurement an asset must have contractual cash flow characteristics representing principal and interest;
- All other financial assets are measured at fair value in the statements of financial position;
- An entity can elect on initial recognition to present the fair value changes on an equity investment that is not at fair value through profit or loss directly in other comprehensive income ("OCI"). The dividends on investments for which this election is made must be recognized in income but gains or losses are not removed from OCI when the equity investment is disposed of;
- If a financial asset is eligible for amortized cost measurement, an entity can elect to measure it at fair value if it eliminates or significantly reduces an accounting mismatch.

The standard is effective for fiscal years beginning on or after January 1, 2015.

b) Fair value measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurement*, with a view to setting out a single IFRS framework for defining, measuring and disclosing fair value. Its main features are as follows:

- Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date;
- Fair value measurement requires an entity to determine the following: The particular asset or liability being measured;
- For a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis;
- The market in which an orderly transaction would take place for the asset or liability;
- The appropriate valuation technique(s) to use when measuring fair value. The technique(s) should maximize the use of relevant observable inputs and minimize unobservable inputs. Those inputs should be consistent with the inputs a market participant would use when pricing the asset or liability;
- The entity is to disclose those valuation techniques and inputs used to develop the fair value measurements.

The standard is effective for fiscal years beginning on or after January 1, 2015.

c) Financial statement presentation

In June 2011, the IASB amended IAS 1, *Presentation of Financial Statements*. The principal change resulting from the amendments to IAS 1 is a requirement to group together items within OCI that may be reclassified to income. The amendments also reaffirm existing requirements that items in OCI and income should be presented as either a single statement or two consecutive statements.

The standard is effective for fiscal years beginning on or after January 1, 2013.

d) Amendments to IAS 32 and IFRS 7, *Offsetting Financial Assets and Financial Liabilities* and the related disclosures

In December 2011, the IASB published the amendments to IAS 32, *Offsetting Financial Assets and Financial Liabilities* and new disclosure requirements under IFRS 7. The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013. Those amendments should be provided retrospectively for all comparative periods. Management is currently evaluating the impact of IAS 32 and IFRS 7 on the financial statements.

Significant accounting estimates and assumptions

The carrying values of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities during the next annual reporting period are related to measuring claims liabilities.

The ultimate cost of claims liabilities is estimated by using a range of standard actuarial claims projection techniques in accordance with Canadian accepted actuarial practice.

The main assumption underlying these techniques is that an entity's past claims experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of prior years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by industry and claim type. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims data on which the projections are based. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, in order to arrive at the estimated ultimate cost of claims that present the most likely outcome from the range of possible outcomes, taking into account all the uncertainties involved.

4. INVESTMENTS

A financial instrument is regarded as quoted in an active market (Level 1) if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. When a quoted active market exists, the fair values of financial assets are based on bid prices and the fair values of financial liabilities are based on ask prices.

In the absence of an active market, fair values are based on inputs other than quoted prices that are observable for the asset or liability directly or indirectly (Level 2). Such inputs include prevailing market rates for instruments with similar characteristics and risk profiles, the closing price of the most recent trade date subject to liquidity adjustments or average brokers' quotes when trades are too sparse to constitute an active market.

Certain financial instruments whose fair values are not based on observable market inputs are to be measured using a valuation technique or model based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor based on available market data (Level 3). The Insurance Fund held no Level 3 securities as at December 31, 2012.

The distribution of the Insurance Fund's financial instruments between each of the abovementioned levels is presented below.

Fair value hierarchy

	2012		
	Level 1	Level 2	Total
	$	$	$
Government of Canada bonds	-	-	-
Provincial government bonds	-	11,572,530	11,572,530
Municipal government bonds	-	10,664,505	10,664,505
Corporate bonds	-	11,498,872	11,498,872
Investment funds	-	8,893,426	8,893,426
Preferred shares	4,364,352	-	4,364,352
Common shares	-	-	-
	4,364,352	42,629,333	46,993,685

	2011		
	Level 1	Level 2	Total
	$	$	$
Government of Canada bonds	-	8,048,756	8,048,756
Provincial government bonds	-	4,490,460	4,490,460
Municipal government bonds	-	9,236,657	9,236,657
Corporate bonds	-	8,596,925	8,596,925
Investment funds	-	7,477,537	7,477,537
Preferred shares	3,844,703	-	3,844,703
Common shares	144,338	-	144,338
	3,989,041	37,850,335	41,839,376

Investment maturities

	2012				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Government of Canada bonds	-	-	-	-	-
Provincial government bonds	-	9,922,846	1,649,684	-	11,572,530
Municipal government bonds	2,052,887	8,611,618	-	-	10,664,505
Corporate bonds	380,244	7,349,270	3,769,358	-	11,498,872
Investment funds	-	-	-	8,893,426	8,893,426
Preferred shares	-	-	-	4,364,352	4,364,352
Common shares	-	-	-	-	-
	2,433,131	25,883,734	5,419,042	13,257,778	46,993,685

	2011				
	Under 1 year	1 to 5 years	Over 5 years	No specific maturity	Total
	$	$	$	$	$
Government of Canada bonds	-	7,535,465	513,291	-	8,048,756
Provincial government bonds	-	4,490,460	-	-	4,490,460
Municipal government bonds	-	9,236,657	-	-	9,236,657
Corporate bonds	2,014,726	4,618,563	1,963,636	-	8,596,925
Investment funds	-	-	-	7,477,537	7,477,537
Preferred shares	-	-	-	3,844,703	3,844,703
Common shares	-	-	-	144,338	144,338
	2,014,726	25,881,145	2,476,927	11,466,578	41,839,376

4. INVESTMENTS (CONTINUED)

Unrealized investment gains (losses)

	2012			
	Unamortized cost	Gains	Losses	Fair value
	$	$	$	$
Government of Canada bonds	-	-	-	-
Provincial government bonds	11,536,716	38,314	(2,500)	11,572,530
Municipal government bonds	10,457,938	247,180	(40,613)	10,664,505
Corporate bonds	11,294,707	217,339	(13,174)	11,498,872
Investment funds	8,993,764	-	(100,338)	8,893,426
Preferred shares	4,314,481	73,727	(23,856)	4,364,352
Common shares	-	-	-	-
	46,597,606	576,560	(180,481)	46,993,685

	2011			
	Unamortized cost	Gains	Losses	Fair value
	$	$	$	$
Government of Canada bonds	7,970,690	78,066	-	8,048,756
Provincial government bonds	4,491,495	-	(1,035)	4,490,460
Municipal government bonds	8,911,521	325,136	-	9,236,657
Corporate bonds	8,420,214	176,711	-	8,596,925
Investment funds	7,542,275	-	(64,738)	7,477,537
Preferred shares	3,800,375	57,345	(13,017)	3,844,703
Common shares	141,856	2,482	-	144,338
	41,278,426	639,740	(78,790)	41,839,376

Investment and other income

	2012	2011
	$	$
Interest income	934,020	1,324,174
Dividend income	466,601	13,823
Amortization of premiums and discounts	(155,216)	(256,278)
Gain on disposal of investments	658,549	307,552
	1,903,954	1,389,271
Investment management and custody fees	141,610	105,803
Investment income	1,762,344	1,283,468
Other income	20,052	-
Investment and other income	1,782,396	1,283,468

5. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS

The Insurance Fund's investments are managed by two external managers, which are required to follow the investment policy set out by the Insurance Fund's Board of Directors. Management ensures compliance with these guidelines. The investment portfolio is entirely invested in wellestablished, active and liquid markets.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other market price risk. The Insurance Fund's investment policies establish principles and limits pertaining to these risks. The Investment Committee regularly monitors compliance with these investment policies.

Currency risk

Currency risk is the risk that the value of a financial instrument denominated in foreign currencies will fluctuate because of changes in foreign exchange rates. Since all its financial instruments are denominated in Canadian dollars, the Insurance Fund is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that a fluctuation in interest rates will negatively impact the financial position of the Insurance Fund, which occurs when market interest rates rise.

The following table details the interest rate risk exposure. The financial instruments appearing in the statement of financial position are displayed according to the earlier of their maturity and their rate adjustment date. The effective interest rates, if any, are the current market rates for the overall bond portfolio.

Financial instrument interest rates by maturity

	2012			
	Floating rate	Under 12 months	1 to 5 years	Over 5 years
	%	%	%	%
Assets				
Fixed-income securities	-	1.75 to 5.2	1.40 to 5.28	2.5 to 8.25
Reinsurance and deductibles	-	1.93	1.93	1.93
Liabilities				
Claims liabilities	-	1.93	1.93	1.93

	2011			
	Floating rate	Under 12 months	1 to 5 years	Over 5 years
	%	%	%	%
Assets				
Short-term notes	0.90	-	-	-
Fixed-income securities	-	3.43 to 6.25	1.09 to 8.25	3.10 to 8.25
Reinsurance and deductibles	-	1.79	1.79	1.79
Liabilities				
Claims liabilities	-	1.79	1.79	1.79

A 1% change in interest rates would result in a $1,502,570 decrease (increase) in investment income ($85,653 in 2011).

5. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Insurance Fund by failing to discharge an obligation. Credit risk arises primarily from fixedincome securities, which comprise substantially all of the investment portfolio.

The Insurance Fund's investment policy provides a quality criteria framework for portfolio securities and requires investment managers to produce regular compliance reports. The policy also stipulates that the Insurance Fund may not invest more than 50% of its fixed-income security portfolio in corporate bonds. No more than 5% of the fixed-income security portfolio may be invested in issues with ratings of BBB or less. The Insurance Fund may not invest more than 10% of the fixed-income security portfolio in the securities of a single corporate issuer.

The Insurance Fund assesses the reinsurer's financial strength before signing any reinsurance treaties and monitors its situation on a regular basis. In addition, the Insurance Fund has minimum rating requirements for its reinsurer. The reinsurer must have a minimum rating of A+ as at June 12, 2012. The Insurance Fund uses Standard & Poor's ratings agency.

Maximum credit risk exposure arising from financial instruments

	2012	2011
	$	$
Treasury bills	-	169,675
Canadian, provincial and municipal government bonds	22,279,535	21,775,873
Corporate bonds	11,503,371	8,596,925
Investment funds	8,893,426	7,477,537
Preferred shares	4,366,352	3,844,703
Common shares	-	144,338
Investment income receivable	171,186	182,618
Premiums receivable	126,446	139,135
Amounts recoverable from reinsurers for claims liabilities	2,575,000	4,579,000
Deductibles recoverable from policyholders for claims liabilities	528,504	456,339
TOTAL	50,443,820	47,366,143

Credit risk concentration

Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics, such that their ability to meet contractual obligations could be similarly affected by changes in economic, political or other conditions. The Insurance Fund's invested assets could have sensitivity to changes affecting a particular industry. All of the securities held are issued in Canada.

Debt securities by industry

	2012	2011
	%	%
Federal, provincial and municipal governments – Canada	**72.30**	72.37
Financials	**17.37**	16.05
Industrials	**1.52**	1.30
Energy	**1.55**	2.65
Infrastructure	**2.71**	4.39
Real estate	**2.60**	2.10
Telecommunication	**1.95**	1.14
TOTAL	**100.00**	100.00

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments that are settled by delivering cash. To manage its cash flow requirements, the Insurance Fund maintains a portion of its invested assets in liquid securities.

Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Insurance Fund mitigates this risk by matching cash inflows from investments with cash outflows for paid claims.

6. INSURANCE RISK

Insurance risk and management

The Insurance Fund underwrites professional liability insurance contracts for Québec real estate brokers. Insurance contract risk mostly comprises risk associated with:

- Underwriting and pricing;
- Fluctuation in the timing, frequency and severity of claims relative to projections;
- Inadequate reinsurance protection.

a) Underwriting

Policies generally cover a twelve-month period with a renewal date of May 1st each year.

The insurance business is cyclical in nature: the industry generally reduces insurance rates following periods of increased profitability, while it generally increases rates following periods of sustained loss. The Insurance Fund's profitability tends to follow this cyclical market pattern. In addition, the Insurance Fund is at risk from changes in professional liability insurance legislation and the economic environment.

In order to properly monitor the Insurance Fund's risk appetite, annual premium pricing is established using an internal return on equity model and a risk-based capital model as published by the Autorité des marchés financiers ("AMF"). The annual premium established at $485 in 2011 remained the same amount in 2012. However, in 2012, the limit of guarantee offered to the insured was increased. See Note 10.

The Investment Committee monitors the Insurance Fund's overall risk profile, aiming for a balance between risk, return and capital, and determines policies concerning the Insurance Fund's risk management framework. The Committee's mandate is to identify measure and monitor risks and avoid exposures that are outside of the Insurance Fund's risk tolerance level.

b) Claims management and reinsurance

One objective of the Insurance Fund is to ensure that sufficient claims liabilities are established to cover future claim payments. The Insurance Fund's success depends upon its ability to adequately assess the risk associated with the insurance contracts underwritten by the Insurance Fund. The Insurance Fund establishes claims liabilities to cover the estimated liability for the payment of all losses and loss adjustment expenses incurred with respect to insurance contracts underwritten by the Insurance Fund. Claims liabilities do not represent an exact calculation of the liability. Rather, claims liabilities are the Insurance Fund's estimates of its expected ultimate cost of claims resolution and administration. Expected inflation is taken into account when estimating claims liabilities, thereby mitigating inflation risk.

Overseen by the Claims Committee, strict claim review policies are in place to assess all new and ongoing claims. In addition, regular detailed reviews of claims handling procedures reduce the Insurance Fund's risk exposure. Further, the Insurance Fund enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that could negatively impact the business. The Insurance Fund has established a Claims Committee responsible for analyzing claims and contentious matters to ensure that appropriate claims liabilities are established and approved.

c) Sensitivity to insurance risk

The principal assumption underlying the claims liability estimates is that future claims development will follow a similar pattern to past claims development experience.

Claims liabilities estimates are also based on various quantitative and qualitative factors, including:

- Average claim costs including claim handling costs; ⊠
- Average claims by accident year; ⊠
- Trends in claim severity and frequency.

Most or all of the qualitative factors are not directly quantifiable, particularly on a prospective basis, and the effects of these and unforeseen factors could negatively impact the Insurance Fund's ability to accurately assess the risk of the insurance contracts the Insurance Fund underwrites. In addition, there may be delays, sometimes amounting to several years, between the occurrence of an insured event and the time it is reported to the Insurance Fund and additional delays between the reporting and the final settlement of claims.

The Insurance Fund refines its claims liabilities estimates on an ongoing basis as claims are reported and settled. Establishing an appropriate level of claims liabilities is an inherently uncertain process and the policies surrounding this are overseen by the Insurance Fund's Claims Committee.

7. PROPERTY, PLANT AND EQUIPMENT

	2012		
	Cost	Accumulated amortization	Carrying value
	$	$	$
Telephone system	22,927	18,469	4,458
Leasehold improvements	55,343	26,090	29,253
Furniture and equipment	82,575	70,668	11,907
Computer hardware	33,418	20,913	12,505
Total	194,263	136,140	58,123

	Carrying value December 31, 2011	Additions/ (disposals)	Amortization	Carrying value December 31, 2012
	$	$	$	$
Reconciliation of carrying value				
Telephone system	12,100	-	7,642	4,458
Leasehold improvements	40,321	-	11,068	29,253
Furniture and equipment	20,939	776	9,808	11,907
Computer hardware	15,783	3,869	7,147	12,505
Total	89,143	4,645	35,665	58,123

	2011		
	Cost	Accumulated amortization	Carrying value
	$	$	$
Telephone system	22,926	10,826	12,100
Leasehold improvements	55,342	15,021	40,321
Furniture and equipment	81,799	60,860	20,939
Computer hardware	29,550	13,767	15,783
Total	189,617	100,474	89,143

	Carrying value December 31, 2010	Additions/ (disposals)	Amortization	Carrying value December 31, 2011
	$	$	$	$
Reconciliation of movements				
Telephone system	19,742	-	7,642	12,100
Leasehold improvements	46,200	4,942	10,821	40,321
Furniture and equipment	28,225	5,650	12,936	20,939
Computer hardware	5,394	14,724	4,335	15,783
Total	99,561	25,316	35,734	89,143

8. INTANGIBLE ASSETS

	2012			2011
	Cost	Accumulated amortization	Carrying value	Carrying value
	$	$	$	$
Software	535,286	365,998	169,288	115,589

	Carrying value December 31, 2011	Additions/ (disposals)	Amortization	Carrying value December 31, 2012
	$	$	$	$
Reconciliation of carrying value				
Software	115,589	76,134	22,435	169,288

General and administrative expenses include amortization for the year of $14,117 ($38,084 in 2011), included in general and administrative expenses, and $8,318, included in claims and loss adjustment expenses.

9. CLAIMS LIABILITIES

Actuarial liabilities are determined to reflect the estimate of the full amount of all liabilities associated with the insurance policies at the statement of financial position date, including claims incurred but not reported ("IBNR"). The ultimate amount of the settlement of these liabilities will vary from the best estimate for a variety of reasons, including additional information with respect to the facts and circumstances of the claims incurred.

Unpaid claims and amounts recoverable from reinsurers

The provision for unpaid claims and amounts recoverable from reinsurers under unpaid claims are determined using standard actuarial techniques requiring assumptions such as loss development and claim settlement patterns, future rates of claim frequency and severity, inflation and other factors.

Unpaid claims were reduced on a net basis by $299,000 as at December 31, 2012 ($280,000 in 2011) to reflect the time value of money, using an average discount rate of 1.93% (1.79% in 2011) on underlying claim settlement patterns. The provision for adverse deviations increased unpaid claims, on a net basis, by $916,000 as at December 31, 2012 ($397,000 in 2011).

Unearned premiums

Unearned premiums are calculated on a pro rata basis from the unexpired portion of premiums written and must be sufficient to cover all future costs related to the unexpired portion of in-force policies as at December 31. The future risks to be provisioned consist of claims and loss adjustment expenses, policy maintenance expenses, and the cost of reinsurance pertaining to these policies. In the event that unearned premiums were inadequate to cover these costs, the Insurance Fund would be required to recognize a corresponding liability to cover the deficiency.

Interest rate sensitivity

As the time value of money is considered in determining the unpaid claims estimate, an increase or decrease in the discount rate would result, respectively, in a decrease or increase in the expense for unpaid claims. Accordingly, a 1% increase in the discount rate would have a $202,000 impact on the fair value of unpaid claims as at the statement of financial position date ($183,000 in 2011), while a 1% decrease in the discount rate would have a $208,000 impact on the fair value of unpaid claims as at the statement of financial position date ($189,000 in 2011).

Prior-year claims development

The following table shows the estimates of incurred claims, including IBNR, for the five most recent accident years, with subsequent developments during the periods, as well as cumulative payments to date. The evaluation is based on actual payments in full or partial settlement of claims and current estimates of claims liabilities for claims still open or claims still unreported.

Prior year claims development

Ultimate incurred claims estimate	2006	2007	2008	2009	2010	2011	2012	TOTAL
	$	$	$	$	$	$	$	$
As at end of underwriting year	508,900	5,459,331	6,526,460	6,562,559	6,673,910	6,073,405	5,608,678	
One year later	538,200	5,073,644	7,023,718	6,424,801	6,033,124	4,671,308	-	
Two years later	260,762	5,285,586	5,651,971	4,772,070	4,790,220	-	-	
Three years later	227,329	4,034,785	4,585,239	3,220,954	-	-	-	
Four years later	240,641	2,984,691	3,439,944	-	-	-	-	
Five years later	222,240	2,778,007	-	-	-	-	-	
Six years later	233,275	-	-	-	-	-	-	
Total liabilities	233,275	2,778,007	3,439,944	3,220,954	4,790,220	4,671,308	5,608,678	24,742,385
Paid claims	(206,611)	(2,639,959)	(2,633,430)	(1,840,715)	(1,835,807)	(1,398,741)	(546,453)	(11,101,716)
Unpaid claims	24,664	138,048	806,514	1,380,239	2,954,413	3,272,567	5,062,225	13,640,670
Prior years								-
Effect of discounting and margins								1,322,848
Provision for internal expenses and extended coverage								2,229,360
Final unpaid claims								17,192,877

Note : These amounts include $528,627 in deductibles recoverable from policyholders for claims liabilities.

9. CLAIMS LIABILITIES (CONTINUED)

Movement of net claims liabilities

	2012			2011		
	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities	Direct claims liabilities	Ceded claims liabilities	Net claims liabilities
	$	$	$	$	$	$
	(in thousands of dollars)					
Balance, beginning of year	**20,094**	**4,579**	**15,515**	20,899	6,922	13,977
Changes in estimated losses and expenses for claims incurred in prior years	**(7,394)**	**(3,829)**	**(3,565)**	(5,647)	(4,457)	(1,190)
Losses and expenses on claims incurred in the current year	**7,795**	**1,825**	**5,970**	7,699	2,214	5,485
Less recoveries received (amounts paid) in respect of incurred claims						
During the current year	**(746)**	**-**	**(746)**	(642)	-	(642)
During prior years	**(2,557)**	**-**	**(2,557)**	(2,215)	(100)	(2,115)
Balance, end of year	**17,192**	**2,575**	**14,617**	20,094	4,579	15,515

Note : This table excludes $528,627 in deductibles recoverable from policyholders for claims liabilities ($456,339 in 2011).

10. REINSURANCE

The Insurance Fund limits the coverage provided to its insured's to $250,000 per claim, per insured, subject to an annual limit of $1,000,000 until April 30, 2012. From May 1, 2012 until April 30, 2013, the limits coverage provided by the Fund to its insureds is $1,000,000 per claim, per insured, subject to an annual limit of $2,000,000.

In the normal course of business, the Insurance Fund reinsures a portion of the risks it assumes in order to limit its losses in the event of major claims or very high claim frequency.

The terms of the agreement may vary from year to year.

For the June 1, 2008 – May 1, 2012 period, the Insurance Fund had $4,500,000 in overall annual coverage in excess of Insurance Fund retention of $4,500,000.

11. NET EARNED PREMIUMS

	2012	2011
	$	$
Earned premiums	**9,021,625**	9,778,162
Reinsurance premiums written	**473,110**	600,129
Change in unearned reinsurance premiums	**20,643**	(66,814)
Reinsurance premiums ceded	**493,753**	533,315
Net earned premiums	**8,527,872**	9,244,847

No allowance for doubtful accounts was deducted from net earned premiums in 2012 determined by an overall analysis of premiums receivable at year-end to identify those that in all probability will not be recovered. Given that the insurance premium is billed together with OACIQ annual membership dues, the insured is not actually covered until OACIQ receives the premium, and therefore no allowance is required.

12. CAPITAL REQUIRED

Capital required is governed by the AMF. Accordingly, the risk-based capital adequacy framework is based on an assessment of the riskiness of assets, policy liabilities, and structured settlements, letters of credit, derivatives and other exposures, by applying varying factors and margins. The Insurance Fund is required to meet a capital available to capital required test, called the minimum capital test ("MCT").

The AMF requires each property and casualty insurer to establish its own internal target capital level that reflects its risk profile and to justify to the AMF the target level it has adopted with an explanation backed by supporting data. This internal target level must be higher than the 100% minimum capital threshold imposed by the AMF and the 150% supervisory target level.

In 2012, the Insurance Fund established a 250% internal target for capital required, given the necessity of building adequate capital to meet future obligations with regard to protection of the public. The Insurance Fund has exceeded both the minimum threshold and its own internal target for capital required.

The Insurance Fund's capital available and capital required are detailed as follows:

	2012	2011
	$	$
		(in thousands of dollars)
Capital available	**29,786**	24,277
Capital required	**3,980**	3,416
Excess of capital available over capital required	**25,806**	20,861
MCT (as a %)	**748.39%**	710.69%

13. TRANSACTIONS WITH THE OACIQ

The Insurance Fund has entered into an agreement under which certain management services are provided by the OACIQ. The Insurance Fund recorded a total expense of $59,802 in general and administrative expenses for all services provided in 2012 ($62,079 in 2011) and for rent expenses of $91,669 in 2012 ($103,049 in 2011). All related party transactions were in the ordinary course of business and measured at the exchange amount.

Amounts due to OACIQ presented in the statement of financial position include the balance due for compensatory tax for an amount of $186,000$.

During the year, services were provided to the Insurance Fund by members of its Board of Directors for compensation totalling $0 ($500 in 2011).

14. PREMIUMS AND OTHER RECEIVABLES

	2012	2011
	$	$
Premiums receivable	-	35,809
Deductibles receivable	51,175	47,700
QST receivable	75,271	55,626
Total	126,446	139,135

15. COMPENSATION OF KEY EXECUTIVE OFFICERS

Key executive officers consist of all members of the Board of Directors and the executive officers of the Insurance Fund. Total compensation for 2012 amounted to $395,349 ($266,000 for 2011).

16. COMMITMENTS

The Insurance Fund is committed under a subletting arrangement with the OACIQ under a lease expiring in July 2015. Future minimum payments under the contract are as follows:

	$
2013	65,502
2014	65,502
2015	38,209

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

OPINION OF THE ACTUARY

I have valued the policy liabilities of *Fonds d'assurance responsabilité du courtage immobilier du Québec* for its balance sheet at December 31, 2012 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice in Canada, including selection of appropriate assumptions and methods.

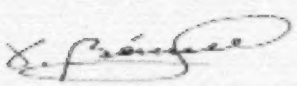
I am satisfied that the data utilized for the valuation of these liabilities are reliable and sufficient. I verified the consistency of the valuation data with the firm's financial records.

The results of my valuation together with amounts carried in the Annual Return are the following:

Claims Liabilities ($'000)	Carried in Annual Return	Actuary's Estimate
(1) Direct unpaid claims and adjustment expenses	17,193	17,193
(2) Assumed unpaid claims and adjustment expenses	0	0
(3) Gross unpaid claims and adjustment expenses (1) + (2)	17,193	17,193
(4) Ceded unpaid claims and adjustment expenses	2,574	2,574
(5) Other amounts to recover	528	528
(6) Other net liabilities	528	528
(7) Net unpaid claims and adjustment expenses (3) – (4) – (5) + (6)	14,618	14,618

Premium Liabilities ($'000)	Carried in Annual Return	Actuary's Estimate
(1) Gross policy liabilities in connection with unearned premiums		2,550
(2) Net policy liabilities in connection with unearned premiums		1,904
(3) Gross unearned premiums	3,023	
(4) Net unearned premiums	2,787	
(5) Premium deficiency	0	0
(6) Other net liabilities	0	0
(7) Deferred policy acquisition expenses	0	
(8) Maximum policy acquisition expenses deferrable (4) + (5) + (9) col. 1 – (2) col. 2		883
(9) Unearned Commissions	0	

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the Annual Return fairly presents the results of the valuation.



Xavier Bénarosch, FCAS, FCIA

February 12, 2013

Date opinion was rendered

Eckler

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